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STATE OF ILLINOIS

HENRY HORNER, Governor

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SPECIAL REPORT No. 4

THE ILLINOIS REVENUE SYSTEM

1818-1936

BY

I. M. LABOVITZ

**Member of the Staff
of the Illinois Tax Commission**



ILLINOIS TAX COMMISSION

SIMEON E. LELAND, Chairman
CHARLES K. SCHWARTZ
C. W. TERRY

[Printed by authority of the State of Illinois]

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(9874—1936)



PREFACE

One of the important functions of the Tax Commission is research into the tax system of Illinois and other states and countries, with a view to formulating and recommending a desirable legislative program. An understanding of the historical background and evolution of the present elements of the revenue system is essential to preparation of any adequate proposals for adjustments. Only by reviewing the operation of the various taxes over a period of years can the merits and shortcomings of existing or proposed fiscal legislation be brought forth clearly. Knowledge of the history of revenue measures is also essential for intelligent administration. Like courts, tax administering agencies are frequently compelled to look into the backgrounds and origin of a tax statute to determine the intent of the legislature in order that they may apply the law in a manner calculated to bring about the intended results. For these reasons the Tax Commission has long believed that a study of the development of the Illinois revenue system from the beginning would be a useful instrument in its work. This belief has been strengthened by the heartening attention which activities of the Tax Commission have received from Governor Henry Horner. His interest has encouraged the Commission to conduct investigations which will, we hope, provide a factual groundwork for a fiscal program adapted to the needs of modern Illinois.

The Commission has felt further stimulated to publish this study by frequent inquiries from interested citizens and investigating agencies. It is hoped that some of their questions are answered in the pages of this monograph. Citizens generally are showing a broader and deeper interest in problems of government and particularly in problems of taxation. Their interest called forth the recent publication of "The A-B-C of Illinois State Finance—Everybody's Business", by the Director of Finance. That volume brought together within the covers of one book "a simple statement of the problems of State budgeting, borrowing, and a description of the financial mechanism carrying on this work". The Tax Commission hopes that the present volume, dealing specifically with the revenue system, will serve as a companion-piece to the "A-B-C of State Finance" by supplying historical light upon the State's income.

This monograph may be described as a fragment from a larger work as yet unpublished. For several years, Mr. I. M. Labovitz, now a member of the staff of the Tax Commission, has had in preparation for the Social Science Research Committee of the University of Chicago a study entitled, "Illinois State Finance, 1818-1935", to be submitted in 1937 for publication. In that study, emphasis is placed upon the expenditures of the State government, reviewed historically and analytically, with the history of the revenue system presented only as an incidental detail. The Tax Commission is pleased to be able

to present in this monograph those portions of Mr. Labovitz's study which deal with the development of the revenue system.

The Tax Commission wishes to acknowledge its obligation to the Social Science Research Committee of the University of Chicago for permitting use of this material, and to Mr. Labovitz for preparing it for publication.

Two charts, summarizing in tabular form the present structure of the State tax system have been incorporated into this monograph. These tables bring up-to-date similar charts which were included in the *15th Annual Report* of the Commission.

It is the hope of the Tax Commission that this material will be found useful by the citizens of Illinois generally and by public officials and others interested in improving the form and administration of the revenue system.

ILLINOIS TAX COMMISSION
SIMEON E. LELAND, Chairman
CHARLES K. SCHWARTZ
C. W. TERRY

August 1, 1936.

AUTHOR'S ACKNOWLEDGMENTS

Although the defects of this manuscript should be charged against me, I wish to acknowledge the helpful suggestions given by Commissioners Leland, Schwartz and Terry, all of whom have shown a gratifying interest in the type of tax research exemplified in these pages. I wish to thank, also, my colleagues on the staff of the Commission, Messrs. George W. Mitchell and Paul E. Malone, who likewise read and criticized the manuscript, and Mr. Wilbur K. Bush, who did most of the work of revising Table 5.

I. M. LABOVITZ.

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THE ILLINOIS REVENUE SYSTEM

PART I

GENERAL SURVEY OF DEVELOPMENT

THE ILLINOIS REVENUE SYSTEM

PART I

GENERAL SURVEY OF DEVELOPMENT

When Illinois was admitted to the Union in 1818, its governments inherited from the territorial regime few responsibilities and practically no revenues. There were only a few counties and other local governments; their range of functions, like that of the State, was very narrow, comprising little more than neighborhood police regulation, operation of local magistrates' and justices' courts, and maintenance of property records. In the ensuing 118 years there occurred a persistent expansion of governmental activities and diversification of responsibilities, until today the State and local governments perform a multitude of services in a variety of fields—in education, provision of transportation facilities, social welfare, unemployment relief, health and sanitation, recreation, conservation and development of natural resources, service to agriculture, business and commerce, regulation of business transactions, protection of persons and property, and many other spheres. The original activities of a legislative, judicial, recording, and local police character have become of very slight fiscal importance, although their scale also has been enlarged with the increase of population, with the transition from the primitive social organization of the agricultural frontier to the complex urban culture of the present, and with changing attitudes toward the role of government.

The multiplication of governmental activities required expansion of revenues, and this involved in turn the extension of old taxes and the introduction of new ones. There has always been, however, greater reluctance to extend taxes than to extend governmental services; consequently the history of the revenue in Illinois may be epitomized as a series of tardy and makeshift adaptations. Adjustments in constitution and statutes and even in administrative techniques have come but slowly and occasionally, whereas the community and its demands upon government have grown and changed rapidly and continuously.

The gradual diversification of the revenue system is clearly indicated in Tables 1 and 2, which summarize by decades the revenues of the State government since 1821. Unfortunately, there is available no similar long-time record for the local governments. Their revenue history cannot be set forth in quantitative terms, nor has it ever been written at length. In important respects, however, it would be a repetition of the revenue history of the State government. Local

revenues in Illinois always have been derived largely from levies on property, which were also, until 1934, the central source of State revenues. The tendency toward diversification of sources in any substantial degree was reflected in local finances more slowly than in State finances and partly as a reflection of new State sources—as, for example, county, city, and school receipts from the motor fuel tax.

TABLE 1
NET STATE REVENUES BY SOURCES: BY DECADES, 1821-1936
(Amounts in thousands of dollars)

Decade	Total	Property taxes	Illinois Central tax	Inherit- ance tax	Corpora- tion and insur- ance taxes	Motor vehicle taxes	Motor fuel tax	All other
1821-1830	\$ 565	\$ 377	—	—	—	—	—	\$ 188
1831-1840	771	471	—	—	—	—	—	300
1841-1850	3,004	2,359	—	—	—	—	—	645
1851-1860	16,940	15,834	\$ 598	—	—	—	—	508
1861-1870	31,895	27,704	3,668	—	—	—	—	523
1871-1880	35,630	30,903	3,839	—	—	—	—	888
1881-1890	35,946	31,135	4,004	—	—	—	—	807
1891-1900	45,374	34,338	6,290	\$ 998	\$ 2,017	—	—	1,731
1901-1910	79,548	53,493	10,707	5,199	8,224	—	—	1,925
1911-1920	214,813	134,005	16,577	17,504	16,463	\$ 15,285	—	14,979
1921-1930	589,304	202,189	33,906	68,273	86,967	128,939	\$ 25,189	43,841
1931-1936 ¹ (6 years)	691,528	111,299	10,413	37,829	56,209	106,357	180,200	189,221
Total ¹	\$1,745,318	644,107	90,001	129,803	169,880	250,582	205,389	255,556

¹ The revenues included for 1935 and 1936 are not strictly comparable with those for earlier years. Cf. *infra*, Table 7, footnote ¹¹.

TABLE 2
NET STATE REVENUE FROM EACH LEADING SOURCE AS A PERCENTAGE
OF THE AGGREGATE: BY DECADES, 1821-1936

Period	Property taxes	Illinois Central tax	Inherit- ance tax	Corpora- tion and insur- ance taxes	Motor vehicle taxes	Motor fuel tax	All other
1821-1830	66.7%	—	—	—	—	—	33.3%
1831-1840	61.1	—	—	—	—	—	38.9
1841-1850	78.6	—	—	—	—	—	21.4
1851-1860	93.5	3.5%	—	—	—	—	3.0
1861-1870	86.9	11.5	—	—	—	—	1.6
1871-1880	86.7	10.8	—	—	—	—	2.5
1881-1890	86.6	11.1	—	—	—	—	2.2
1891-1900	75.7	13.9	2.2%	4.4%	—	—	3.8
1901-1910	67.2	13.5	6.5	10.3	—	—	2.4
1911-1920	62.4	7.7	8.1	7.7	7.1%	—	7.0
1921-1930	34.3	5.7	11.6	14.7	21.9	4.3%	7.4
1931-1936 (6 years)	16.1	1.5	5.5	8.1	15.4	26.1	27.3
1821-1936	36.9	5.2	7.4	9.7	14.4	11.8	14.6

The only local revenue sources which find no counterpart in a history of the revenue system of the State government are special assessments, various service fees and charges, and earnings of publicly owned utilities. A survey of the development of State revenues, therefore, will help toward an understanding of the present-day structure of both the State and the local revenue systems in Illinois.

The Fiscal Inheritance from the Territory

The chief legacy which the State received from the territorial government was a deficit of \$59.53. The first governor announced that, "the treasury will be found in a state of present embarrassment." The best prospective sources of revenues were the saline lands, which had been granted by the national government upon the admission of Illinois as a state, but income from these was not immediately forthcoming. A loan of \$25,000 to carry the State government over its first year was obtained with some difficulty. Nevertheless, by the end of the biennium the debt was paid off and the treasury was flourishing. Revenues were small in amount, scarcely exceeding \$50,000 for the two years, but expenditures were still smaller.

The principal source of revenue, apart from the salines, was taxation. The small territorial revenue had been obtained from a classified land tax.¹ This system was continued under the State government² until 1839, with a change of assessment classes in 1831. A system of separated sources for State and local revenues likewise was carried forward from the territorial regime, although with modifications. In 1819 the counties, which previously had depended entirely

TABLE 3

STATE TAX ON LAND—DIVISION OF THE BURDEN BETWEEN RESIDENT AND NON-RESIDENT OWNERS: BY FISCAL BIENNIA, 1821-1842

(Amounts in thousands of dollars)

Fiscal biennium	Net total	Refunds on land redeemed	Gross total	Residents	Non-residents	Per cent from non-residents
1821-22	\$ 45.6		\$ 45.6	\$ 7.1	\$ 38.4	84.2%
1823-24 ¹	78.9		78.9	6.3	72.6	92.0
1825-26	93.0		93.0	10.4	82.6	88.8
1827-28	89.1	\$ 1.0	90.1	6.9	83.2	92.3
1829-30	70.7	2.8	73.5	3.0	70.4	95.8
1831-32	92.8	2.2	95.0	6.8	88.2	92.8
1833-34	75.0	1.9	76.9	21.5	55.4	72.0
1835-36	84.1	.3	84.4	30.5	53.9	63.9
1837-38	92.2	.2	92.4	8.9	83.5	90.4
1839-40	47.7	1.4	49.1	16.8	32.3	65.8
1841-42	19.1	.3	19.4	18.3	1.1	5.7

¹ 23 months.² The land was grouped roughly in three classes and taxed at \$1.00 a hundred acres in the first class, 75 cents a hundred acres in the second class, and 37½ cents in the third.² There was a slight formal difference, however, to comply with the constitutional requirement of a tax by valuation. That is, under the State law each class of land was given a nominal value, to which a uniform rate was applied, whereas under the territorial law taxes were expressed as a flat amount for one hundred acres in each class.

upon levies on specified property other than land, were given one-third of the taxes on lands owned by residents and in 1821 they were given two-thirds of all land taxes. In 1823, the State took back the taxes on non-residents' land leaving to the counties their two-thirds share in the resident land taxes and all taxes on personal property. Under the revenue law of 1819 the State itself levied upon only one kind of personality—shares of bank stock—but derived such slight revenue that the provision was abandoned in 1823.

Early Efforts to Avoid Taxation

The arrangement by which the State government depended principally upon the land taxes collected from non-resident owners has been charged by some historians with fostering a sense of irresponsibility on the part of the legislators, since expenditures which they authorized were defrayed largely by taxpayers who were not also voters. In any case the tax quickly proved to be neither sufficiently elastic nor sufficiently productive to support the undertakings that were assigned to the State government. State functions were expanding while land was passing into the hands of residents. The characteristic dislike of frontiersmen for taxation or any other exercise of compulsion caused successive legislatures to experiment with every available device for avoiding new imposts. Lands dedicated by the national government to the support of schools and seminaries were sold; the proceeds were borrowed along with other resources of the trust funds, and the payment of interest and repayment of principal were deferred. Banks were chartered and operated either with printed notes or with borrowed capital, in the expectation that their earnings would enable the State to dispense with all taxation. Saline lands obtained from the Federal government were leased and finally sold. The labor of convicts in the penitentiary was leased, and there was perennial hope that the prison might some day support itself and other branches of the government. Despite these expedients it was evident by 1838 that the State would have to obtain larger revenues from taxation. Since the amount of taxable land was "rapidly increasing" the governor was hopeful that a small increase in rates would be sufficient, but the auditor insisted that a broadening of the basis of State taxation could be deferred no longer. The decline in revenue from non-residents, he pointed out, would more than counter-balance any accession from lands becoming taxable for the first time. There was no likelihood that expenditures could be reduced. New tax legislation was imperative.

Introduction of General Property Tax

Thus advised and anxious to improve the market for internal improvement bonds, the legislature in February, 1839, adopted a new revenue law, generalizing the tax on property. Whereas only enumerated types of property were taxable under earlier laws, the statute of 1839 made buildings and improvements and all kinds of personal property taxable along with lands, regardless of ownership,¹

¹ Excepting, of course, when specifically exempted for designated classes of owners.

and at the same rates. The distinction between property taxable for State purposes and that taxable for local purposes was abandoned. A statutory maximum was fixed for county rates; the State rate was left subject to readjustment from year to year.

When the general property tax was introduced Illinois looked forward to "a season of prosperity and plenty," but within a few months there was a renewal of the economic depression which prevailed in 1837-38. The State had been engaged for several years in building the Illinois and Michigan Canal and an extensive program of internal improvements. Work on these projects was beset with financial difficulties, and their abandonment seemed unavoidable. In the face of general depression, the banks in which the State was a major stockholder, and upon which it depended for the custody of its funds and maintenance of its credit, were unable to redeem their notes in specie. The credit of the State vanished, so that the former practice of borrowing anew to meet interest obligations was no longer available. In the light of these developments, the adoption of the general property tax, though vigorously protested, proved a timely innovation. It was not adequate—and probably no revenue system could have been adequate—to prevent temporary defaults on State indebtedness during the early 1840's; but when this period of funding, refunding, and general clarification of State finances came to an end, it was evident that repudiation had been avoided only through the general tax. It was evident, moreover, that this tax was the only available means of assuring ultimate repayment of outstanding obligations while maintaining governmental services. Hence the constitution of 1848 included a mandatory provision for an annual levy for debt service.

The Illinois Central Charter Tax

By this time the earlier rapid rate of settlement and economic development had been renewed. Further financial aid for the State was received indirectly from the Federal government, in the form of a grant of land for a central railroad. The lands, comprising 2,595,000 acres to which was added a right of way over State property, were turned over to the Illinois Central Railroad Company, with a permanent exemption of its charter lines from all State and local taxes, in exchange for a pledge of 7 per cent of the gross receipts of these lines in perpetuity.¹ Building of the railroad stimulated further general exploitation of resources and thus helped to enlarge the assessment basis for the general property tax, but the 7 per cent tax itself was more immediately important. Beginning in 1855 the Illinois Central Company made payments into the treasury that amounted in some years to 15 per cent of all State revenues; the use of this additional income for retiring State debt shortened by many years the period of liquidation. Moreover, development of the country enlarged the revenues of the now-completed Illinois and Michigan Canal. This enterprise was in the custody of trustees who devoted its earnings to repaying the money borrowed for construction,

¹ The 7 per cent rate is the minimum provided by the charter. Cf. *infra*, p. 44.

but increased income gave promise that the trusteeship could soon be ended and the Canal taken back by the State. By 1857 Illinois governors were predicting confidently that within a decade the State would be enabled to give up forever its levy on property, defraying all ordinary expenses and supporting a variety of "charitable and beneficial objects" from the proceeds of the Illinois Central tax and net earnings of the Canal.

Expansion of State Activities

The dream of a State government which could function "without resort to taxation of any kind" was destined to frustration only less violent than earlier dreams of the same character. This time it was not a collapse of credit generally nor a stagnation of enterprise that prevented the achievement, but rather the expansion of State expenditures at a rate which exceeded the increase of non-tax revenues. Reduction in the tax on property did, indeed, seem feasible¹, and the legislature in February, 1861, substituted a special low rate for all State taxes on property, excepting the distributive school tax, for the years 1861 and 1862. In April, Civil War broke out, calling for large immediate outlays when the State was without funds. Borrowing was inescapable. Nevertheless, the new obligations were not large in proportion to the ultimate resources of the State, and more than half of all Illinois State expenditures made directly on account of the war² were repaid by the central government before 1866. It was not the war directly which destroyed the dream of a taxless State: it was the burdens left by the war and the social readjustments which it initiated or inspired.

There was rapid expansion of State activities during the years following the Civil War. In the first decade the University and a second normal school were founded, and a reformatory, southern penitentiary,³ institution for the feeble-minded, two new hospitals, a home for soldiers' orphans, and other units were added to the small pre-war group of State welfare institutions. In this period, also, the State embarked upon regulation of public utility rates and service, inspection of grain, and other regulatory activities. The board of public charities, entomological survey, and natural history museum were innovations of this post-war decade. A new constitution was adopted in 1870, with provisions foreshadowing extension of State administration in a variety of fields. While all these additions were made to activities and physical plant, there were corresponding additions to old institutions and corresponding enlargement of the scale of old activities. After 1875 development was less rapid, but the trend persisted.

Elimination of State taxes was incompatible with this growth of State responsibilities. Some new undertakings, such as grain inspection, supported themselves entirely; others, such as the State Uni-

¹ It should be remarked, however, that this situation resulted largely from disinclination of bondholders to take partial payments, causing the debt fund to accumulate in the treasury.

² All military expenditures by the State during 1861-66 amounted to \$4,173,000, of which \$2,624,000 were refunded by the central government during the same years. See below p. 62.

³ First provision for the penitentiary was ineffective, however; actual establishment was after 1877.

versity, normal schools, and even the reformatory and hospitals for the insane,¹ were partially self-sustaining; but the general tendency was toward increased reliance upon taxation.

Changes in the Property Tax

Meanwhile, the defects of the general property tax were becoming more sharply pronounced. Competitive undervaluation by local assessors had resulted in a decline of 25 per cent in aggregate assessed valuations between 1857 and 1862, at a time when Illinois was enjoying rapid growth. There was a marked recovery immediately following the war, but this was short-lived. Not until 1907 did the aggregate of assessments equal the peak that was reached in 1873.²

The assessment peak of 1873 occurred in the first year after adoption of a new and extensive revenue code, revising earlier assessment laws and giving the State board of equalization duties of original assessment for a few classes of property. This board had been created in 1867 to mitigate inequalities which resulted from application of a uniform State rate upon assessments that varied widely in their relationship to full values. It could not add omitted property to the tax rolls or take other steps that would extend the aggregate or broaden the tax base; it could only manipulate county totals, thereby shifting to counties with low assessment ratios some part of the State levy that would otherwise fall on counties with higher ratios. The new assignments in 1872 included assessment of designated classes of railroad property and the capital stock of corporations, but there was no grant of power to supervise or control assessments by local officials. Composed of 25 members elected from State senatorial districts, the board itself was not a suitable administrative agency for making assessments by any but logrolling methods; neither was it so constituted that it could pass judiciously upon the comparative degree of underassessment in different counties. It was of slight assistance, therefore, in correcting the administrative deficiencies of the property tax system.

Unchecked by any statewide standards, local assessors continued their competitive undervaluation and non-assessment. With the State depending largely and all lesser governments depending wholly upon this form of taxation, and with the assessment roll shrinking as the wealth of the community increased, there was soon a severe maldistribution of tax burdens. Proposals for tax reform were pressed upon the general assembly throughout the 1870's, but the only tangible result of this movement was the establishment of an interim revenue commission in 1885, the first in the history of Illinois. This body drafted a new revenue law providing for separation of State and local revenue sources and a State tax commission to supervise the administration of proposed State taxes on utility company gross receipts and of local *ad valorem* taxes, but there were no statutory results.

¹ The reformatory derived some revenue from the sale of inmates' labor; the hospitals, from charges against counties.

² In 1899 and later years to 1909 assessments were at a statutory ratio of one-fifth of full value, whereas in 1873 the statutory ratio was 100 per cent. In terms of statutory *full value*, therefore, the peak of 1873 was reached and surpassed in 1899, but not earlier.

New Taxes and Administrative Changes

Indeed, the first real change in the revenue system as a whole was the addition of a progressive inheritance tax in 1895—a concession to Governor Altgeld's otherwise unsuccessful campaign for reform of the taxing system, which he denominated "a gigantic fraud" and "a giant of injustice." The next change was the addition of the motor vehicle license tax, begun at a uniform low rate for all vehicles in 1907 and altered to a graduated fee in 1911. A special tax commission re-examined the State revenue system in 1910 and again condemned it. An advisory referendum in 1912 indicated that a constitutional amendment for the classification of property might be received favorably. Still there was no reform either in the revenue system or in its details. In 1919 existing taxes on the gross premium receipts of some classes of insurance companies were replaced by a privilege tax on such receipts of all insurance companies incorporated outside Illinois, and corporation filing fees were replaced by an annual low-rate tax measured by the capital stock or business of corporations, other than insurance companies, operating in Illinois. Administration of the general property tax was modified in some small degree by substitution of a tax commission with extensive supervisory authority in the place of the now discredited board of equalization. Other aspects of administrative organization and procedure were not affected, and they continued in substantially the form they had attained in the first two decades of the general property tax.

As late as 1927 the general property tax was the central element of the State revenue system, supplying 46 per cent of all net revenues. Into the next few years were telescoped more extensive changes in the State fiscal system than had occurred in all the preceding period of statehood. A series of interim commissions and unofficial or semi-official investigations produced programs for fundamental reforms in the tax system and particularly in the taxation of property. Nevertheless the general property tax itself was not altered: it was merely relegated to a lesser place among State revenue sources, and in 1933, 1934, and 1935 the State levy was omitted entirely.¹ It continued as the main element in the system of local finances.

Gasoline Tax and Retailers' Tax

Two major additions to the revenue system were made and a third one was attempted between 1927 and 1935. The earliest was the motor fuel tax, adopted in 1927 but declared unconstitutional on technical grounds and re-adopted successfully in 1929 at a higher rate. This tax immediately rivaled the property tax in annual yield, bringing in \$28,200,000 in 1931, whereas the highest previous receipts of general property taxes were \$34,400,000 in 1927.² From the beginning, however, the State kept only two-thirds of the gasoline tax, apportioning

¹ The State rate may be re-imposed in any year, unless a constitutional change prohibits. The State rate, if any, is determined in December of each year and applies to the assessment for that year.

² Cf. Table 7. Property tax receipts were \$36,400,000 in 1931 (the highest in any year), but these resulted from delayed collections in Cook County balancing low receipts in 1929 and 1930.

one-third among the counties. In 1933 another third was allotted to municipalities, the State retaining only one-third of the net yield.¹ All collections were nominally pledged for highway purposes, but successive diversions from the counties' share were granted for financing emergency unemployment relief or the debt service for such relief. Until 1934 the share of the State was not actually diverted from road construction and maintenance, but a substantial treasury balance was accumulated and this was used as a revolving fund to finance State activities generally during 1931-33, when the State was financially embarrassed.² In 1934-35 one-third of the net collections of gasoline taxes, comprising an equal fraction of the shares of the State, counties, and cities, was diverted from highway purposes and used to provide special aid to school districts throughout the state, enabling many of them to continue operations which had been seriously endangered by the falling off of revenues.

The second major innovation was the retailers' occupation tax, adopted in 1933 as a temporary measure and given permanent application in 1934. This legislation was preceded by several events that are significant in the fiscal history of the State. In 1930 the voters considered for the fifth time³ an amendment to the revenue article of the constitution. This time the amendment was rejected by a majority of those who voted on it; in earlier elections failure to carry was the result of the tacit negatives of voters who did not mark their ballots. The rejected amendment would have given the legislature a broad measure of discretion in altering the tax laws. It would have permitted both a classified property tax and a tax on personal net income, stipulating only that if a net income tax were enacted the State could retain no more than 15 per cent of the revenue unless the restriction was lifted by a two-thirds majority of each legislative chamber. With this amendment rejected, the constitutionality of a personal net income tax was uncertain. At a special session early in 1932 such a tax was enacted with mildly progressive rates and provision for partial offset of property taxes against income taxes. The State supreme court found the law invalid, as violating the uniformity rule of the constitution, and it was generally concluded that any legislation attempting to tax personal net income at graduated rates must be authorized by constitutional changes. The history of previously proposed amendments indicated that such change was not soon to be expected; it became still more remote when a proposal for a constitutional convention failed at the polls in 1934.

With progressive income taxation ruled out, the State turned to comprehensive sales taxes. The first enactment in this field, a 3 per cent tax on gross receipts from retail sales of tangible goods, was adopted early in the legislative session of 1933 and became effective April 1, but within six weeks it was declared invalid by the State supreme court because of attempted exemption of farmers' sales of their own produce and of gasoline already taxed under the motor

¹ I. e., after deducting administrative expenses.

² The fund was used by the device of borrowing from it on tax anticipation warrants issued against other treasury funds. See below, p. 79.

³ Not counting the referendum on the new constitution rejected in 1922.

fuel tax.¹ Before the end of the session a new act was adopted imposing a retailers' occupation tax of 2 per cent upon gross receipts from sales of tangible goods at retail. This law the court upheld, and it was the revenue thus obtained that enabled the State to omit its levies upon property in 1933, 1934 and 1935, as well as to meet its relief obligations of those years without resort to tax anticipation borrowing.

In fact, the reserves in the gasoline tax fund and the addition of the retailers' tax enabled the State to come out of the period of depression in stronger condition financially than when it entered. The personal net income tax was not designed to yield revenues for general State purposes, excepting that it would have displaced the levy for the common school distributive fund² and would thereby have enabled the State to increase somewhat its property levies for other purposes if this proved necessary. The first sales tax likewise was not intended to finance State activities directly, but it was designed to lighten local government levies on property for school and unemployment relief purposes, so that this tax also might have facilitated increase of the State rate. The retailers' tax was devoted during the first six months to emergency unemployment relief; thereafter it was used to displace entirely the State levies on property. Despite economic depression, the yield in the first year was \$32,000,000. At the same time collections from earlier levies upon property were flowing into the treasury; in fact, omission of the 1933 levy did not affect treasury receipts until the summer of 1934, and half the effects were postponed even further by the fact that Cook County was nearly a year behind other counties in its collection schedule. This combination of circumstances with curtailment of operating expenditures and outlays gave the State a firm position in 1935. This strength was enhanced by substantial revenues accruing from taxation of beer, wines and spirituous liquors under the laws enacted immediately following the repeal of national prohibition in 1933. These taxes were yielding revenues at a rate promising to exceed \$7,000,000 a year—a greater yield than from all franchise taxes on corporations³ or premium taxes on insurance companies. The retailers' occupation tax and the beverage and liquor taxes, like the gasoline tax, had the special advantages that they brought in taxes currently, in monthly payments and with little delinquency, and that they relieved the State from its dependence upon local administrative officials.

Legislation of 1935

The fiscal strength of the State during 1935 was not great enough, however, to permit taking over enlarged responsibility for financing unemployment relief in conformity with policies formulated by the Federal Emergency Relief Administration. To meet this special and what was hoped to be a temporary need, as well as to obtain the funds as quickly as possible in order that relief need not be

¹ There was also an unconstitutional form of appropriation of the proceeds.

² Any further yield would have displaced local levies for school purposes.

³ The corporate excess tax, which is part of the general property tax, is not included here.

TABLE 4.

ILLINOIS PROPERTY TAX, AS OF JULY 1, 1936.

Subject matter	Basis of tax	Measure of tax	Legal assessment ratio	Assessment day	Date return due	With whom listed	Listed by	Where listed and taxed	Penalty for non-listing	Assessment by	Administrative review of assessment by	Equalization		Levy	Rate	Collection by	Payment	Delinquent date	Penalty after delinquent date	Distribution		Legal citation (Smith-Hurd, Annotated Statutes)		
												Local	State	State	Local	Local	Local	Local	Local	Local	State	Local		
Real estate	All real property in State with certain exemptions. ¹	Fair cash value of taxable real property, equalized (i.e., adjusted to a more or less uniform percentage of full value). No deduction for indebtedness.	100% (actual ratio is much less)	April 1	April 1 ²	Local assessor ³	County clerk	Location of property.	Board of review may list omitted property.	Local assessors ¹	Board of review except in Cook County. In Cook County, board of appeals.	Board of review may raise or lower entire assessment or any part thereof. May also correct individual assessments on complaint. Board of appeals (Cook County) may consider individual complaints only	Board of review (except in Cook County) may equalize between townships or parts of county. No restriction	Tax Commission may lower or raise assessment of all property in any county not to exceed 10% of total assessment of State. May not reduce aggregate State assessment; and may not increase it more than necessary to a just equalization.	By legislative authority of various governments.	Fixed according to budget needs of State and local governments.	County collectors through town and deputy collectors. ⁴	Annual, payable in two installments at option of taxpayer.	First installment June 1, 2nd installment Sept. 1, excepting in Cook County. ⁴	1% per month	Collector may seize and sell personal property of the real estate owner. ⁴ Other procedures: Application ⁵ by county collector to county court for judgment and order for sale; if property is sold at tax sale, owner may redeem within 2 years; property not sold is forfeited to State, subject to redemption or to sale followed by redemption, and subject to right of county board or municipal corporations to institute actions of debt. Income-producing property may be put under receivership of county collector. Lien for taxes may be foreclosed whenever taxes for 2 or more years on same description of property have been forfeited to State.	Part, according to State levy if any. (No State levy in 1933, 1934 and 1935.)	Part according to levy of each local government.	C. 120, secs. 1, 2, 1, 50, 62-75, 80, 81, 89-94, 96-99-120, 121, 124, 125, 142, 143, 149-157, 159, 160, 162-165, 168-238c, 210, 211, 249-253b, 256, 260-293, 266, 268, 280-293, 300-306, 308-323, 325-350, 358-370, 372.
Personal property	All tangible personal property in Illinois not otherwise exempt, ⁶ all intangible property which is not exempt and which (a) has business situs in Illinois or (b) belongs to a resident and does not have business situs elsewhere.	Fair cash value of taxable personal property, equalized (i.e., adjusted to a more or less uniform percentage of full value). Deduction of bona fide current debts from current credits.	100% (actual ratio is much less)	April 1	June 1 ²	Local assessor ³	Owner or agent	At residence of owner with certain exceptions. ¹⁰	50% increase in assessment. ¹¹	Local assessors ³	Board of review except in Cook County, board of appeals in Cook.	Same as real estate.	Same as real estate. Enumerated property considered by classes.	Same as real estate.	Same as real estate.	Annual, in one payment.	June 1, excepting in Cook County, where date is same as for first installment of real estate taxes. ⁴	1% per month	Collector may seize and sell goods and chattels; may apply for judgment against real estate of person owing personal property tax if the tax cannot be made out of personality. Or county board may institute an action of debt. Clerk to add uncollected tax to personal property tax of any later year.	Same as real estate.	Same as real estate.	C. 120, secs. 1-3, 5-29, 34, 35, 38, 67-61, 63, 82-90, 101-120, 123-127, 142-149, 153-159, 161-165, 169, 171, 218, 218-220, 223-237, 239-241, 252, 261, 266, 280-286, 293-366, 372.		
Railroad track and rolling stock.	Track and rolling stock of steam and electrical railroads except street railways.	Fair cash value of right of way and structures thereon and rolling stock, equalized (i.e., adjusted to a more or less uniform percentage of full value).	100% (actual ratio is much less)	April 1	June 1 ²	Tax Commission, also county clerk.	Officers of railroad	Counties where track is located. Assessment apportioned on mileage basis.	50% increase in assessment. ¹¹ Also \$1,000 to \$10,000 fine.	Tax Commission.	Tax Commission.	Tax Commission may correct individual assessments.	None	By Tax Commission. Must be considered separately.	Same as real estate.	Same as real estate.	Annual; railroad track payable in two installments; rolling stock in one payment.	Rolling stock and first installment on railroad track, June 1; second installment on railroad track, Sept. 1. ¹²	1% per month	Railroad track same as real estate; rolling stock same as personality.	Same as real estate.	Same as real estate.	C. 120, secs. 41-50, 317.	
Capital stock of domestic corporations	Intangibles of domestic corporations.	Aggregate value of the corporation as a going concern, equalized (i.e., adjusted to a more or less uniform percentage of full value), and assessed value of tangible property deducted. If company operates outside Illinois, going value is allocated.	100% (actual ratio is much less)	April 1	June 1 ²	Tax Commission for corporations assessed by it; local assessor ³ for others. ¹³	Officers of corporation.	At place of principal business. ¹³	50% increase in assessment. ¹¹	Tax Commission, except certain corporations which are assigned to local assessors. ¹⁴	Tax Commission for corporations assessed by it; board of review possesses same power of review of assessment by local assessors as in case of personal property.	Tax Commission may correct individual assessments made by it; board of review possesses same power of review of assessment by local assessors as in case of personal property.	None, of corporations assessed by Tax Commission; other corporations same as estate.	By Tax Commission. Must consider capital stock as separate class.	Same as real estate.	Same as real estate.	Annual, in one payment.	Same as personal property.	1% per month	Same as personal property.	Same as real estate.	Same as real estate.	C. 120, secs. 3, 36, 37, 58, 339, 340, 347.	
Banks	Shares of stock of State and National banks.	Equalized value of shares with deduction of assessed value of real estate owned in county.	100% (actual ratio is much less)	April 1	June 1 ²	Local assessor ³	Officers of bank.	Location of bank.	50% increase in assessment. ¹¹	Local assessors ³	Board of review (in Cook County, board of appeals).	Same as real estate.	Same as real estate.	Same as real estate.	Same as real estate.	Annual, in one payment.	Same as personal property.	1% per month	Same as personal property.	Same as real estate.	Same as real estate.	C. 120, secs. 39-43.		
Domestic life insurance companies.	Gross assets of domestic life companies.	Equalized value of gross assets, deducting real estate, tangible personal property, net value of outstanding policy contracts and all other liabilities.	100% (actual ratio is much less)	April 1	June 1 ²	Tax Commission	Officers of company.	Principal office	50% increase in assessment. ¹¹	Tax Commission	Tax Commission	Same as real estate.	Same as real estate.	Same as real estate.	Same as real estate.	Annual, in one payment.	Same as personal property.	1% per month	Same as personal property.	Same as real estate.	Same as real estate.	C. 120, secs. 13, 36, 347.		
Foreign fire and marine insurance companies.	Net receipts	Gross premiums, deducting returned premiums and operating expenses.	100% (actual ratio is much less)	April 1	June 1 ²	Local assessor ³	Agent	At agency of company.	50% increase in assessment. ¹¹	Local assessors ³	Board of review (in Cook County, board of appeals).	Same as real estate.	Same as real estate.	Same as real estate.	Same as real estate.	Annual, in one payment.	Same as personal property.	1% per month	Same as personal property.	Same as real estate.	Same as real estate.	C. 73, sec. 46.		
Building and loan associations.	Shares of stock of building and loan associations.	Equalized value of shares of stock with deduction of assessed value of real estate owned.	100% (actual ratio is much less)	April 1	June 1 ²	Local assessor ³	Stockholders ¹⁵	Where stockholder resides. ¹⁷	50% increase in assessment. ¹¹	Local assessors ³	Board of review (in Cook County, board of appeals).	Same as real estate.	Same as real estate.	Same as real estate.	Same as real estate.	Annual, in one payment.	Same as personal property.	1% per month	Same as personal property.	Same as real estate.	Same as real estate.	C. 120, secs. 30-33.		

¹ Exemptions—Property owned by the United States, State of Illinois, property devoted to public uses owned by counties, townships, cities, villages, towns, drainage districts, and other municipal corporations; property of free public libraries; property owned and used exclusively for religious purposes; property owned and used exclusively for charitable purposes; property owned and used exclusively for educational purposes; graveyards; free interstate bridges; property used exclusively for agricultural, horticultural, mechanical or philosophical purposes; property of military schools and academies, not exceeding 10 acres, if used exclusively for school purposes and if certain conditions relative to military instruction are fulfilled.

An Act of April 2, 1936, effective July 1 (Laws 1935-36, 1st spec. sess., p. 1, sec. 22), declares that fraternal benefit societies operating under the act are charitable and benevolent institutions and shall be exempt from all and every State, county, district, municipal and school tax, other than taxes on real estate and office equipment.

² This is the date at which the county clerk is required to complete his work of preparing lists in counties other than Cook. In Cook County for 10 years following completion of the general reassessment of 1928 (i.e., until 1940) the lists are to be prepared within 30 days after delivery of lists for the preceding

year by the board of appeals. (Smith-Hurd, c. 120, sec. 289).

³ Cook County has an elective township assessor; St. Clair County has an elective board of assessors of five members; in the remaining 83 township counties there is an elected assessor for each township and the county treasurer is *ex officio* county supervisor of assessors; and in the 17 commission counties the county treasurer is *ex officio* county assessor. In Sangamon County the county clerk is *ex officio* township assessor of Capitol Township (Springfield), and there is no elective assessor in that township.

⁴ In all township counties, including Cook, the county treasurer is *ex officio* county collector; in the 17 commission counties the sheriff is *ex officio* county collector. Township collectors may be elected in townships in counties of more than 100,000 population, but only outside cities of more than 50,000 population.

⁵ In Cook County the delinquency dates are: 1928—July 10, 1930; 1929—May 15, 1931; 1930—June 1, 1932; 1931—1st installment, April 8, 1933, 2nd, September 1, 1933; 1932—1st, March 1, 1934, 2nd, July 1, 1934; 1933—1st, January 1, 1935, 2nd, May 1, 1935; 1934—1st, November 1, 1935, 2nd, March 1, 1936; 1935—1st, September 1, 1936, 2nd, February 1, 1937; 1936—1st, August 1, 1937, 2nd, December 1, 1937; 1937—1st, June 1, 1938, 2nd, October 1, 1938; 1938—1st, April 1, 1939, 2nd, September 1, 1939; 1939—1st, March 1, 1940.

⁶ The penalty for refusal to swear to a return is likewise a 50% increase in the assessment. Swearing falsely is classified as perjury and punishable as such (S-II, c. 120, secs. 61, 298).

⁷ This procedure is almost never used, but cf. *Durham v. People*, 67 Ill. 414 (1873), and *Vocht v. Reed*, 70 Ill. 491 (1873).

⁸ Application is made in September and is preceded by a notice advertised in August, excepting that in Cook County until 1940 the date of application for judgment is to be designated by the collector in his advertisement and this advertisement is to be published not sooner than 10 nor more than 50 days after the date when all unpaid real estate taxes become delinquent.

⁹ Exemptions same as in footnote 1 above.

¹⁰ Intangible property which is exempt in the hands of owners: State and national bank shares (when tax paid by bank); stock of Illinois corporations (except building and loan corporations); Federal bonds and notes.

¹¹ Tangible personal property is listed and taxed where it is located if connected with a farm, a business, or in the custody of another party. Intangible property if owned by a resident is always listed and taxed at the owner's residence, unless in the control of another party. Intangible property belonging to non-residents or foreign corporations is listed and taxed at the place where such property is used in business in Illinois.

¹² The penalty for refusal to swear to a return is likewise a 50% increase in the assessment. Swearing falsely is classified as perjury and punishable as such (S-II, c. 120, secs. 61, 298). In addition the revenue act provides that the maker of a false or fraudulent return shall be subject to a fine up to \$5,000 or imprisonment up to one year or both (ibid., secs. 60, 324).

¹³ There is no provision expressly fixing for returns of personal property to the local assessor in Cook County a different date from that applying to other counties, but since 1928 the date has been different in actual practice. The deadline is announced by the Cook County assessor when he distributes blank schedules.

¹⁴ Excepting that in Cook County the dates for railroad track are as given in Note 5, and for rolling stock, the same as first installment of real estate.

¹⁵ Banks, building and loan associations, corporations organized for purely manufacturing and mercantile purposes or for either of these purposes, and corporations for coal mining, printing, newspaper publishing, or stock breeding are assessable not by the Tax Commission, but by the local assessors.

¹⁶ Excepting that in the case of railroad and telegraph companies the assessment is allocated to the counties according to a mileage basis.

¹⁷ Listed by secretary of association if stockholder is a non-resident.

¹⁸ Excepting that shares of a non-resident stockholders are listed and assessed at the place where the association does business.

suspended or curtailed, the legislature provided for an increase of the retailers' occupation tax from 2 to 3 per cent, the increase to be effective from July 1, 1935, until January 1, 1937. In addition, a similar occupational tax was imposed upon public utilities, which had been excepted from the retailers' tax by a decision of the State supreme court. Applying to the intrastate gross receipts of water, gas, and electric companies from sales for domestic or commercial consumption, and to all intrastate gross receipts of telegraph and telephone companies, this tax was imposed at a rate of 3 per cent, to be reduced to 2 per cent January 1, 1937. While the 3 per cent rates continue, the entire yield of the public utility tax and one-third of the yield of the retailers' tax are pledged to unemployment relief.

The results of tax legislation in 1935 are reflected in Tables 4 and 5, which set forth detailed outlines of the revenue system as of July 1, 1936.¹ Table 4 covers the legal provisions relating to assessment, levy, and collection of various elements of the general property tax. Table 5 presents similar information for other taxes, licenses, and fees imposed by the State. The tables do not cover provisions of local ordinances imposing local taxes, licenses, or fees.

¹ The tables are equally applicable as of July 1, 1935, excepting for minor changes in insurance taxes, an exemption provision for fraternal benefit societies, effective July 1, 1936, and changes in motor vehicle taxes effective January 1, 1936. For similar tables as of January 1, 1935, cf. *Tax Commission, 15th Annual Report, 1933*, inserts facing pp. 44 and 46.

State and Local Relationships

Local units of government contributed only a small percentage of all expenditures for unemployment relief, but so far as these units did share in supporting this extraordinary function the burden lay upon county and township governments. Upon many of them it rested heavily, especially since their ordinary revenues from property taxes shrank as assessments declined and delinquencies rose. Part of the contribution to unemployment relief was met by diversions of the counties' shares of the gasoline tax and in some instances by borrowing either directly or on State-guaranteed bonds, or, as in Cook County, by borrowing in both ways.

Nearly all local units were hard-pressed to avoid undue curtailment of their ordinary governmental operations. The general property tax was their only important source of revenue; on it they depended in 1931 for more than 70 per cent of all revenue collected.¹ If special assessments are included, more than 80 per cent of local revenues came from levies on property. In Chicago in 1931, 67 per cent of the revenue of local governments was from the general property tax and 9 per cent from special assessments. In Peoria, the second largest city, 81 per cent of the revenue was from the general tax and 8.5 per cent from special assessments. Complete statistics for earlier and later years are not available for local governments throughout the state, but the revenue statistics of Chicago and Peoria—summarized in Table 6—reveal an increasing measure of dependency upon property levies, general and special, as a source of funds. After 1931 this increased dependence was owing in part to a more rapid decline in income from other sources than in income from property tax collections themselves. Tax receipts dropped sharply, however. In downstate counties they fell off principally because of depression conditions. In Cook County, collections were nearly a year behind schedule as a result of the reassessment of 1928; this circumstance encouraged tax strikes and the depression aggravated the delinquencies.

The provisions for applying to local purposes the yield of the unsuccessful income tax and the original sales tax would have alleviated somewhat the plight of the local governments. The retailers' occupation tax and the State taxes on liquors helped, although less directly, by facilitating removal of the State property tax rate, thereby making it feasible to increase local rates, without necessarily increasing the aggregate tax rate, in those local units which were in desperate need of additional revenue. This meant, of course, that local governments increased their dependence on property taxation.

These circumstances gave rise to pressure for transferring some of the fiscal burdens of local governments to the State, through the enlargement of grants for local schools, increased State (and Federal) financing of unemployment relief, and the sharing of revenues for general governmental purposes. The response to these demands took

¹ The percentage exceeds 70 whether the State levy for the common school distributive fund is included in local revenues or excluded.

TABLE 5
ILLINOIS ENCISE AND LICENSE TAXES, AS OF JULY 1, 1936

* Exemption: \$100 in all cases; up to \$20,000 depending on relationship; complete for
certain life-insurance purposes.
The franchise provides for a 6% tax on gross earnings and an annual State tax of no
more than 1/2 of 1% of the company's stock, property and assets, but only when these taxes together
with the franchise tax exceed \$100. The company has paid the flat rate of 7% beginning
with the fourth installment in 1967.
Cooperative marketing associations are exempt from franchise or license fees if corporations
are not to be controlled by the franchisee. The franchisee must be licensed by the
Department of Agriculture (c. 19, sec. 471). Insurance companies, builders and
agents under the state insurance laws are not to be controlled by the franchisee.
Loses not include fraternal benefit organization activities. For companies licensed after July 1, 1967, the
franchise fee is \$100.

<p>* Distributors may deduct not over 1% for actual collection costs before remitting. 14. It is unlawful to engage in a retail business without a certificate of registration from the Department of Finance. 15. Upon entrance and again upon stock increase. 16. It is the duty of the distributor to keep his stock in distinct county and township sections. 17. Federal beneficiary societies, \$10; life or accident insurance, \$10; mutuals other than 18. Mutual benefit associations, \$10; reciprocal inter-insurance, \$10. 19. Any agent, representative, or employee of fraternal or benevolent societies or of fraternal beneficiary societies, or of agents, representatives, or employees of these types of companies, 20. who drives the motor vehicle covered (excepting in the case of commercial vehicles) is exempted from the liability of the distributor, other than 21. the liability of the distributor for the acts of his 22. agents, employees, or 23. independent contractors.</p>	<p>Two days labor on streets, or City council or board of trustees. \$1.00 General Assembly and City council or board of trustees. (Discretionary.)</p>
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as provided by council or board of trustees. As provided by council or board C. 24, sec. 522 of trustees.

af medicine, barbershops, midwives, apprentice pharmacists, and veterinarians.

■ Architects, registered barbers, beauty culturists, beauty culturists' apprentices, optometrists, registered pharmacists, assistant registered pharmacists, plumbers, structural engineers, public accountants, and real estate brokers.

■ Plumbers' license is administered by board of examiners of plumbers in municipalities over 10,000 in population.

■ Poultry and game dealers; commission merchants; cooperative agricultural associations; egg dealers; egg-breaking establishments (manufacturers of egg products); manufacturers of commercial feed-stuffs, and milk testers.

■ Exempting milk testers from licensing.

■ Exempting license for dealers in commercial feed-stuffs, collected by State treasurer.

TABLE 6

REVENUES OF CHICAGO AND PEORIA BY MAJOR SOURCES:
1916, 1926, AND 1929-1935

City and Year	All revenue receipts	Property tax	Special assessments	Grants from State	All other
<i>Amounts, in thousands of dollars:</i>					
Chicago ¹ -----1916	\$ 81,051	\$ 46,373	\$ 6,161	\$ 95	\$ 28,422 ⁹
1926	226,813	149,829	28,885	3,480	44,612
1929	101,261 ³	28,749 ³	24,326	664 ³	47,522
1930	185,478 ³	94,347 ³	39,542	2,697 ³	48,892
1931	263,642	177,223	23,794	11,474	51,151
1932	200,868	129,508	20,355	8,938	42,067
1933	214,488	157,185	7,025	6,012	44,266
1934	219,716	155,068	6,006	5,273	53,370
Peoria ² -----1916	1,521	992	204	29	296
1926	2,910	2,330	234	77	269
1929	3,672	2,833	422	79	338
1930	4,166	3,187	483	73	423
1931	4,260	3,433	363	61	403
1932	3,484	2,697	305	93	389
1933	3,816	3,133	259	57	367
1934	4,150	3,196	314	46	594
1935	4,089	3,057	319	178 ⁴	535
<i>Percentage of all revenue receipts:</i>					
Chicago ¹ -----1916	100.0 %	57.2 %	7.6 %	.1 %	35.1 %
1926	100.0	66.0	12.7	1.5	19.7
1929	100.0	28.4	24.0	.6	46.9
1930	100.0	50.9	21.3	1.4	26.3
1931	100.0	67.2	9.0	4.3	19.4
1932	100.0	64.5	10.1	4.4	20.9
1933	100.0	73.3	3.3	2.8	20.6
1934	100.0	70.6	2.7	2.4	24.3
Peoria ² -----1916	100.0	65.2	13.4	1.9	19.5
1926	100.0	80.1	8.0	2.6	9.2
1929	100.0	77.1	11.5	2.1	9.2
1930	100.0	76.5	11.6	1.7	10.1
1931	100.0	80.6	8.5	1.4	9.5
1932	100.0	77.4	8.7	2.7	11.2
1933	100.0	82.1	6.8	1.5	9.6
1934	100.0	77.0	7.6	1.1	14.3
1935	100.0	74.8	7.8	4.3 ⁴	13.1

Data from U. S. Census Bureau, *Financial Statistics of Cities*.¹ Including receipts of city, school and park districts, and prorated portions of receipts of the county and the forest preserve and sanitary districts. Figures for 1935 comparable with those for earlier years are not yet available.² Including receipts of the town and city of Peoria and prorated portions of receipts of the school, park, and sanitary districts.³ These receipts reflect delayed collections of property taxes as a result of the Cook County reassessment order of 1928.⁴ Increase owing largely to gasoline tax received by school district—\$72,000.

varying forms. State responsibility for financing and administering highway construction and maintenance was extended, and cities were given a share in the gasoline tax. The State contribution to mothers' pensions, inaugurated in 1929, was doubled in 1931 and an equalization fund set up; in 1933 the provision limiting State aid to one-half of the expenditures in each county was eliminated and standards of State supervision were elaborated. The annual appropriation to the State common school distributive fund was increased in 1935 by nearly 25 per cent, from \$10,500,000 to \$13,000,000, after a period during which local common and high schools received assistance from gasoline tax funds. A State appropriation of \$610,000 was granted in 1935 for the first time for the purchase of books for local public libraries.

Demands for increased State financial support of local activities and for transference of functions of the State may be expected to continue. Moreover, the history of such development in Illinois indicates that the legislature will be inclined to take over activities from lesser governments rather than to turn over revenues to them; or, if it turns over revenues, it will be inclined to provide administrative supervision as a guarantee that its mandates are respected. In the absence of a system of shared revenues providing State support for the more costly local functions, pressure for relief of property tax-payers will give impetus to the transfer of responsibilities to the State. This pressure will become all the greater as sources of State revenue are more and more clearly differentiated from sources of local revenue—particularly if the State avoids a return to property tax levies or depends on them for only a minor fraction of its income.

Conclusion

At least two circumstances account for the fact that the development of the Illinois revenue system may be epitomized as a series of tardy and makeshift adaptations. In the first place, there has always been greater reluctance to extend taxes than to extend the sphere of government services. This reluctance is exemplified in constitutional provisions which confine revenue measures narrowly within rigid limits while permitting broad development of the system of expenditures. In the second place, revenue laws have had to fit a society which was always growing rapidly and in a state of flux.

The incidents of everyday life have been vastly transformed since 1818 and the transformation has affected all social relationships. Governments, like individuals and non-governmental agencies, are expected to perform and actually do perform many tasks and render many services which were not even thought of in the early 19th century. In early Illinois, the range of State and local government activities was very narrow, extending to little more than the maintenance of order, security, and justice. Before 1831, the only operation of State government not directly in these fields was a short-lived State bank. Between 1831 and 1860, however, there was a pronounced diversification of State responsibilities. From the standpoint of import-

ance in the range of present activities, the most significant innovations for the State government were the Illinois and Michigan Canal, the provision of care for persons afflicted mentally or physically, and the beginning of State supervision, support and teacher-training for the common school system. Among the local governments, the leading innovation of the period 1831-1860 was the system of free public schools, but there were many other additions to the activities of these governments. In the quarter century following the close of the Civil War, local governments assumed new responsibilities at a rate even more rapid than in earlier times. Intensive work in the field of public health and sanitation began during this period. Parks and other recreational facilities were provided and extended. Police work, fire protection, and related activities were materially augmented. In the case of the State government, new activities undertaken during the 30 years before 1891 were largely related to regulation of economic relations and promotion of agriculture. There was some beginning of work by the State in the promotion of public health, but this was little more than a foreshadowing of developments which followed the turn of the century. After 1890, the most important addition to State responsibilities was its entrance into the field of highway construction and maintenance, first by giving assistance and aid, later by taking the initiative in highway work. In the decade 1921-1930, highway construction and maintenance absorbed 34.4 per cent of all net State payments which can be allocated by function. This was the most important single functional category of State expenditures in that decade. Among local governments, the greatest growth in recent decades also has been in the field of highways and roads, with the result that this type of activity accounts for approximately the same amount of local expenditures each year as the operation of the school system. For all governments, social welfare activities—particularly unemployment relief—have become of vastly increased importance in recent years.

With this growth occurring in the requirements for funds, it was inevitable that new sources of revenue be introduced and old ones augmented. Increasing population and wealth necessitated performance of old functions upon a persistently growing scale. This alone absorbed any increased revenues which old forms of taxation might yield by virtue of the enlarged population and increased wealth. Almost without exception, new activities of the State and local governments had to be supported from new revenues. Until the recent period of diversification of State and local revenue sources, practically all added requirements for financing old activities on an increased scale or for paying the cost of new undertakings were met by increasing the levies upon property owners. Within the last two decades the revenue system of the State government has undergone a marked transformation, with the result that property owners pay a materially smaller portion of the cost of operating the State government. To some extent, this transformation has been reflected in the revenue system of local governments as well.

ILLINOIS TAX COMMISSION

TABLE 7
NET STATE REVENUE BY SOURCES: FISCAL YEARS 1926-1936
(Amounts in thousands)

Fiscal year	Net State revenue, total	Property tax	Illinois Central tax	Inheritance tax	Motor vehicle tax	Motor fuel tax	Corporation fees ¹	Insurance fees and taxes	Liquor and beverage taxes	Retailers' occupation tax	Institution enterprises	All other
1926	\$ 70,062.4	\$ 30,841.8	\$ 3,232.1	\$ 6,813.6	\$ 13,879.1						\$ 1,280.2	\$ 2,566.9
1927	74,224.4	34,411.0	4,895.3	5,530.4	14,999.9						1,333.6	3,333.5 ³
1928	74,372.9	25,078.8	3,317.6	9,053.9	15,368.0	\$ 6,295.7					1,502.2	5,036.1 ³
1929	61,803.4	16,549.1	3,011.9	9,820.9	16,793.4						1,425.9	4,171.2
1930	84,658.6	12,268.0	2,897.0	15,261.8	18,701.5						1,430.5	4,383.4
1931	111,326.8	36,353.4 ⁴	2,286.7	9,984.4	18,435.9	28,247.4	4,039.5	6,308.0			1,255.9	4,487.9
1932	88,613.0	19,244.8 ⁴	1,866.4	6,001.3	17,124.4	29,179.2	4,116.3	6,158.9			1,059.6	4,036.2
1933	91,441.1	24,116.2	1,413.3	9,027.8	15,943.0						\$ 469.3	758.7
1934	124,765.5	20,560.2	1,561.4	3,369.3	17,636.9 ⁶	28,840.3 ⁷	3,500.8	3,529.2			\$ 32,085.2 ⁸	3,282.3
1935 ¹¹	125,174.1 ¹¹	9,057.8	1,595.7	5,577.4	18,585.4		31,053.5	2,721.2	7,238.3		4,510.4	2,068.9 ⁹
1936 ¹¹	150,207.5 ¹¹	1,967.4	1,689.1	3,868.9	18,631.9		33,479.2				\$ 8,510.4 ¹²	\$ 5,296.7 ¹²
											9,310.3	64,423.13
												6,505.0 ¹²

¹ Includes also other minor fees collected by the secretary of state.

² Includes taxes collected in the preceding year but not transmitted to the treasurer until this year.

³ Includes net premium received on bonds issued.

⁴ Follows treasurer in crediting to receipts of 1932 a Cook County school order for \$1,463,600 which the auditor credited to receipts of 1931.

⁵ Includes \$325,800 of 1927 gasoline tax previously withheld from treasury.

⁶ Includes \$742,600 for fees for certification of automobile titles and \$1,500 for title search; also \$900 received from the protested fees fund (a suspense fund, the receipts of which are classified as trust receipts until transferred to other treasury funds).

⁷ Includes \$7,000 received from protested fees fund (ef. footnote 6).

⁸ Includes \$5,004,800 which passed through the protested fees fund (ef. footnote 6).

⁹ Includes the newly established University of Illinois revolving fund.

¹⁰ Includes premium on bonds and notes \$236,600, and \$250,400 received from the protested fees fund (cf. footnote 6). Part of the last item probably should be credited to insurance and corporation taxes and to liquor and beverage taxes, but data for the apportionment are not available.

¹¹ The statistics for 1935 and 1936 represent gross treasury receipts rather than net revenue. They are not strictly comparable with those for earlier years, which have been adjusted to allow for refunds paid and to eliminate (from "All other sources") receipts of refunds, Federal aid, accrued interest, and other non-revenue items.

¹² Figures for the separate columns are not yet available.

¹³ Includes public utility gross receipts tax. May include some payments under protest which ought to be treated as non-revenue receipts until cleared.

TABLE 8
NET STATE REVENUE FROM EACH LEADING SOURCE AS A PERCENTAGE OF THE AGGREGATE: FISCAL YEARS 1926-1936

Fiscal year	Prop- erty tax	Illino- is Central tax	Inherit- ance tax	Motor vehicle tax	Motor fuel tax	Corpo- ration fees	Insurance fees and taxes	Liquor and beverage taxes	Retailers' occupa- tion tax	Institution enterprises	All other
1926	44.0%	4.6%	9.7%	19.8%	5.6%	10.7%				1.8%	3.7%
1927	46.4	6.6	7.5	20.2	5.8	7.2				1.8	4.5
1928	33.7	4.4	12.2	20.7	4.3	7.4				2.0	6.8
1929	26.8	4.9	15.9	27.2	6.0	10.2				2.3	6.7
1930	14.5	3.4	18.0	22.1	4.8	8.0				1.7	5.2
1931	32.6	2.1	9.0	16.6	3.7	5.5				1.1	4.0
1932	21.7	2.1	6.8	19.3	32.9	4.6				1.2	4.6
1933	26.4	1.5	9.9	17.4	32.2	3.8	3.9		0.5%	8	3.6
1934	16.5	1.2	2.7	14.1	23.1	2.2	5.8		3.6	1.7	3.4
1935 ¹	7.2	1.3	4.6	14.8	24.8	6.8 ²	6.2		25.7%	29.6	4.2 ²
1936 ¹	1.3	1.1	2.6	12.4	22.3		6.92			42.9	4.3 ²

¹ Cf. Table 7, footnote 11.

² Figures for the separate columns are not yet available.

THE ILLINOIS REVENUE SYSTEM

PART II

DETAILED HISTORY OF LEADING SOURCES OF INCOME

PART II

DETAILED HISTORY OF LEADING SOURCES OF INCOME

In Part I of this monograph the reader has been given a rapid survey of the development of the Illinois revenue system in its broad outlines. Details of the evolution and structure of particular kinds of taxes have been omitted in order that the system as a whole might be clearly pictured. In the following pages some of these details will be filled in. Each major source of State revenue will be treated separately. In addition there will be a review of grants-in-aid distributed by the Federal and State governments and of borrowings by the State and local governments. Finally, the probable future of State and local finance in Illinois will be discussed briefly in the light of the historical tendencies brought out in this report.

The Property Tax

Constitutional provisions—Although the State Constitution of 1818 declared that “the mode of levying a tax shall be by valuation, so that every person shall pay a tax in proportion to the value of the property he or she has in his or her possession,”¹ the foregoing survey has shown that only selected items were subject to *ad valorem* taxation up to 1839. The law enacted in that year constituted the first adoption of the *general* property tax in Illinois. It broadened the definition of taxable property so that all realty and personality was subject to taxation unless specifically exempted. It made the State and the county rate applicable to the same assessed valuation within any county. Under earlier laws only certain designated types of property were taxable and the State rate applied to a different base from the county rate.

The provision for *ad valorem* taxation of property was continued in the new constitution of 1848 with minor verbal alterations, including a phrase specifically making corporations, as well as individuals, subject to the tax, and with an additional proviso that the value of property for purposes of taxation should be ascertained “by some person or persons to be elected or appointed in such manner as the General Assembly shall direct, and not otherwise.”² Exemptions were authorized with respect only to the real and personal property of the State and counties and property for school, religious and charitable purposes. An extensive provision was introduced governing tax deeds and the right of redemption of property sold for delinquent taxes. The requirement that taxes imposed by corporate authorities of counties, townships, school districts, cities, towns and villages should be “uniform in respect to persons and property within the jurisdiction of the body imposing the

¹ Art. viii (bill of rights), sec. 20.

² Art. ix, sec. 2.

ILLINOIS TAX COMMISSION

TABLE 9
NET STATE REVENUE FROM PROPERTY TAXES, BY TREASURY FUNDS: BY DECADES, 1821-1934.
(Amounts in thousands of dollars)

Decade	Total	General revenue fund	Distributive school fund	University of Illinois fund	Debt and interest funds	Deductions: Refunds of taxes	
						Distributive school fund	Other funds
1821-1830							
1831-1840	\$ 377	\$ 377					
1841-1850	471	471					
1851-1860	2,359	1,544					
1861-1870	15,834	3,380					
1871-1880	27,704	8,789					
1881-1890	30,903	18,647					
1891-1900	31,135	20,306					
1901-1910	34,338	23,986					
1911-1920	53,493	42,892					
1921-1930	134,005	83,510					
1931-1934 (4 years)	202,189	74,402					
Total	\$ 633,082	\$ 316,077					
				\$ 188,547	\$ 50,576	\$ 74,468	\$ 6,018
							\$ 1,757
							\$ 347

¹ Entirely for blind relief fund.

same," was embodied in this constitution for the first time.¹ This uniformity provision, as carried forward into the Constitution of 1870, has proved the barrier to all attempts to introduce classification or other modification of the general property tax.

In the new organic law of 1870 the essential provisions relating to the tax by valuation were left unchanged, although a few words and phrases were altered. Permissible exemptions were extended to include the property of every municipal corporation besides the State and counties, and to comprise property used exclusively for agricultural and horticultural societies, and for school, religious, cemetery, and charitable purposes, but such exemptions were required to be made only by general law. The provisions governing tax sales and the right of redemption were modified. Provisions were introduced requiring that all taxes levied for State purposes should be paid to the State treasury and prohibiting the State legislature from releasing or discharging any local district, or the inhabitants thereof, or the property therein, from their or its proportionate share of the State taxes levied. Commutation of such State taxes was completely forbidden. This was designed to end a practice, in vogue during the preceding decade, whereby the State received from specified districts only the amount of State taxes which would have been collected in those districts if there had been no increase in the assessed valuation following a designated base year; the State tax on the increased valuation was retained by the local district or by some improvement corporation within the district for local expenditure.² Tax-rate limits were introduced, in the form of a limit of 75 cents on the \$100 of assessment upon the aggregate rate for county purposes. Limits for other local governments were not provided in the constitution. The earlier provision for uniform levies within local taxing districts was retained.³

Statutory development to 1872—The constitutional changes of 1870 necessitated no significant reforms in the character of the property tax. This tax had undergone material transformation under the provisions of the second State constitution, particularly with respect to the taxation of corporate enterprise. Before 1849 there were relatively few business corporations operating within the State, and most of those which had been established were organized under special charters which usually made particular and varying provisions for taxation in each case. In 1849 provision was made by general laws for the incorporation of railroad, telegraph, manufacturing, and some other kinds of private companies, as well as boards of trade and chambers of commerce. There were at this time no general provisions for the taxation of such companies, but the act of 1849 authorizing counties to adopt township organization included a direction that the real estate of corporations, as of individuals, should be assessed where situated and all capital stock of taxable corporations should be assessed in the town or district

¹ *Ibid.*, sections 2-5.

² See below, p. 36, for the effect of this practice upon assessments in 1873.

³ Constitution of 1870, art. ix.

where the company had its principal office or place of transacting its financial concerns. These provisions were substantially repeated in a new law of 1851 still applying only to township counties. Finally in 1853 the legislature enacted parallel acts for township and non-township counties, embodying specific provisions for the assessment of banks and general provisions relating to other companies. In the case of non-banking companies these laws called for assessment of real estate and fixed tangibles by situs and allocation of movable tangibles in proportion to the assessed value of fixed property. The capital stock of bridge companies was to be assessed in the towns where the principal office was located.¹ There was no direct reference to the capital stock of other corporations. Official State records do not show whether the earlier provisions for assessing capital stock were effective, nor do they show whether such assessments were made at any time before 1872.²

Railroads incorporated under the general law of 1849 were by the same act required to list their property annually with the State auditor and to pay taxes at "the same rate" as was paid upon other similar property of individuals.³ The proceeds were to go entirely to the State, to be applied to the repayment of the debt, and when the debt was extinguished the revenue was to be paid "as in the case of all other property in the State"—that is, apparently, to the districts of situs. However, no record can be discovered of any revenue collected by the State under this law, and a revision of the assessment laws four years later provided for local assessment of railroads as well as of other corporations not specially provided for.

The earliest general law for the establishment of banks was enacted in 1851. It provided that the shares of capital stock were to be deemed personal property, subject to taxation at the same rate as other property. By acts of 1853 the State bank commissioners were directed to assess incorporated banks on the basis of outstanding loans and discounts, and to assess stocks deposited with the State treasurer as security for bank notes outstanding. Four years later the law was further changed to require the capital stock, surplus profits, and reserves of banks to be listed and taxed locally as other property, but with a deduction for real estate taxed separately. In 1867 the provisions for bank taxation were further revised and given their present form. Under the law of that year it was provided that the value of the capital stock, less the assessed value of real estate, should be taxed to the individual owners, wherever resident, rather than to the corporation. The bank was required, however, to withhold from distribution a portion of its dividends until the taxes were paid, so that in practice the tax was simply a charge which preceded dividends. State banks organized under special laws were subject to taxation on their corporate excess until 1893, when they were ex-

¹ The township act of 1849 had specified that in the case of toll bridges the capital stock was to be assessed in the town or district where tolls were collected.

² The concept of "capital stock" was nowhere clearly defined in these early laws, but it appears to have been less comprehensive than under the act of 1872.

³ Presumably this provision contemplated either the application of a state-wide average rate or an allocation of the railroad property and taxation of each segment according to the rate prevailing in the district in which it was situated.

empted; in 1905 tardy provision was made for taxation on their shares. State banks organized under general law were exempted from taxation on their corporate excess since competing national banks could not be subjected to this system without permission from Congress.

The treatment of income as a form of property was inaugurated in Illinois in 1853, when foreign insurance companies were required to list their gross yearly receipts for taxation at the same rate "as other personal property."¹ An act of 1869 for the incorporation of fire, marine and inland navigation insurance companies provided that foreign corporations doing these types of business in Illinois should list their net, instead of gross, receipts for taxation at property tax rates.

Revenue Act of 1872—All these and other scattered laws relating to the property tax were systematized in a new revenue act adopted in 1872. This law, which still constitutes the bulk of the State revenue code, made no fundamental changes in the existing system, apart from assigning certain duties of original assessment to the State board of equalization, providing for special treatment of the intangible property of ordinary business corporations, and making the equalized valuations determined by the State board the basis for extending all taxes rather than for only the State rate.² It replaced nearly fifty earlier acts.

The State board of equalization had been established in 1867, after repeated recommendations by the auditor, whose official position constantly brought to his attention the notorious inequalities in assessments as between counties. During the first five years of its operation, this board was only an equalizing agency, manipulating county assessment totals but having no authority to adjust or to make individual assessments. By the law of 1872 it was charged with assessing the track and rolling stock of railroads and the capital stock of all corporations.

¹ Apparently this terminated a special tax of three per cent of gross premium receipts which had been imposed upon foreign life insurance companies in 1843 and which, though collected in the counties, was diverted entirely to the State treasury. The property tax upon premium receipts of foreign life companies seems to have been terminated, in turn, in 1869, although there was no specific repeal of the tax in the laws of that year.

² This method of extending taxes was retained in the law until 1901, when sec. 128 of the Revenue Act of 1872 was amended to provide for extending State taxes against the assessments as equalized by the State board and local taxes against assessments as equalized by the county board of review.

TABLE 10

ASSESSED VALUATIONS FOR PROPERTY TAXES AND AGGREGATE STATE AND LOCAL LEVIES: AT FOUR-YEAR INTERVALS, 1873-1933

Year	Assessed values (millions) ¹				Aggregate State and local levies reported (millions) ²	State tax levy ³ (millions)	State levy as percent age of aggregate levy
	Aggregate equalized	State assessed capital stock	Locally assessed as equalized	Railroads—state and locally assessed			
1873	\$1,355.4	\$ 21.9	\$ 1,199.7	\$ 133.8	\$ 22.0	\$ 5.0	22.7%
1877	931.2	1.6	888.0	41.6	30.2	4.2	13.9
1881	799.8	2.2	744.0	53.6	25.0	4.1	60.4
1885	798.5	3.8	731.6	63.1	29.4	3.5	11.9
1889	792.2	4.9	714.0	73.3	30.8	3.1	10.7
1893	845.6	5.4	759.5	80.7	40.0	2.7	6.7
1897	799.7	4.0	714.8	80.9	47.1	5.3	11.3
1901	999.2	21.5	888.6	89.1	53.0	5.2	9.8
1905	1,095.7	12.9	985.1	97.7	62.7	5.6	8.9
1909	2,158.6	35.4	1,936.7	186.5	83.3	7.7	9.2
1913	2,422.4	29.4	2,182.1	210.9	114.0	17.2	15.1
1917	2,578.0	26.5	2,331.4	220.1	148.6	23.6	15.9
1921	4,201.7	48.3	3,810.8	342.6	259.5	19.6	7.6
1925	4,194.8	59.7	3,763.1	372.0	330.4	36.5	11.0
1929	8,413.4	99.0 ³	7,581.1	733.3	420.7	33.6	8.0
1933	5,802.9 ⁴	94.9 ⁵	5,199.6 ⁶	508.4	124.3 ⁷	2.5 ⁷	-----

¹ From Tax Commission, *15th Annual Report, 1933*, pp. 596-97.² As reported to the auditor of public accounts; *ibid.*, pp. 602-03.³ Excluding railroad capital stock of \$3.6 millions, which was counted twice as capital stock and as railroad property in the 1929 and 1933 reports of the Tax Commission.⁴ Revised to include Pullman Company capital stock assessment of \$2.3 millions (certified as omitted property) and to allow for final Cook County total.⁵ Revised to include Pullman Company assessment.⁶ Revised on basis of Cook County abstract to Tax Commission.⁷ Cook County not reported. State tax represents merely forfeitures and delinquencies of earlier years carried forward.⁸ State tax rates by treasury funds are shown below in Table 23 for each year since 1839.

Increase of assessments after 1872—The revision of the revenue laws was followed in 1873 by the largest percentage increase in assessed valuations that has been recorded for any year in the history of Illinois. The state-wide aggregate assessment rose from \$509,000,000 in 1872 to \$1,356,000,000 in 1873, an advance of 166 per cent.¹ Part of this advance was owing to the assessment of corporate capital stock by the board of equalization and to the increased assessment of railroads by this agency. Local assessments before equalization advanced 138 per cent, despite the fact that local assessments of railroad property were cut to one-third by the change in the law. Aggregate railroad assessments, State and local, jumped from \$24,000,000 to \$132,000,000, 442 per cent. This was a materially greater increase than for all other property, the assessed valuation of which rose 153 per cent for the State as a whole. The aggregate local assessment of real estate advanced 141 per cent and of personal property, 171 per cent. Part of this increase resulted from the listing of a greater number of units of each type of property, but by far the largest took the form of an increase in the average assessment per unit. For many types of property the assessment ratio was doubled. For example, local assessments of unimproved land comprised 9,504,000

¹ See Table 11 for a detailed statement of the statistics summarized in this paragraph.

TABLE 11
STATE-WIDE INCREASE IN ASSESSED VALUATIONS: 1873 COMPARED WITH 1872

Class of property	1873		1872		Percentage increase of assessed value, 1873 over 1872	
	Assessed value (thousands)	Number (thousands)	Average value (dollars)	Assessed value (thousands)	Number (thousands)	
<i>Aggregate assessment</i>	\$ 1,356,963.9			\$ 508,875.9		166.5%
State assessment—Railroads	123,928.5					
—Capital stock other than railroads	21,898.5					
Local assessment—total before equalization	1,210,236.9			508,875.9		187.8
Railroad property—total	8,103.5			24,384.4		232.3
Other than railroad—total	1,202,133.4			484,491.5		148.1
Railroad property—total State and local assessment	132,032.0			24,384.4		441.5
Real estate	6,387.6	41.8 acres	\$ 152.81	3,450.1	73.0 acres	85.1
Track and rolling stock	59,317.4			19,483.0		204.5
Capital stock	64,611.1					
Other personality	1,715.9			1,451.3		18.2
Local assessment—other than railroad property—total	1,202,133.4			484,491.5		148.1
Real estate—total	897,615.2			372,278.1		141.1
Lands—improved	560,305.4	24,473.9 acres	22.89	205,735.0	24,570.5 acres	172.3
—unimproved	82,607.5	9,757.1 acres	8.47	40,334.0	9,503.8 acres	104.8
Lots—improved	203,832.7	313.6 lots	650.00	93,834.0	287.0 lots	326.97
—unimproved	50,869.6	408.2 lots	124.61	32,375.1	374.1 lots	86.54
Personal property—total	304,518.2			112,213.4		171.4
Enumerated property—total	127,588.4			53,523.1		138.4
Horses	48,855.0	932.0	52.42	23,450.7	882.3	26.58
Cattle	35,776.9	2,015.8	17.75	14,778.9	1,684.0	8.78
Hogs	11,279.7	3,560.2	3.17	4,060.7	3,292.2	1.23
Mules and asses	5,823.7	98.5	59.12	2,714.6	88.3	30.76
Sheep	2,135.6	1,092.1	1.96	1,024.5	1,010.5	1.01
Carriages and wagons	12,177.0	338.9	35.93	5,618.8	384.4	14.62
Watches and clocks	1,949.4	281.0	6.94	822.6	259.6	3.17
Piano forte	1,958.0	13.7	143.02	1,052.3	15.0	70.24
All other	7,633.1					
Unenumerated property—total	176,929.8			61,949.2		186.6
Merchandise	39,578.8			16,243.2		143.7
Material and manufactured articles	5,284.4			2,434.8		117.0
Moneys and credits	56,977.0			15,152.8		276.0
Bonds and stocks	2,545.0			2,512.0		1.3
Shares of bank stock	13,478.3			5,025.8		168.2
All other	59,066.3			20,580.6		187.0

acres in 1872 and 9,757,000 acres in 1873, but the average assessment per acre was \$4.24 in the first year and \$8.47 in the second. The number of unimproved lots increased from 374,000 to 408,000 and the average assessment from \$86.54 to \$124.61. In 1872 local assessors enumerated 1,684,000 head of cattle at an average of \$8.78 per head; in 1873 they enumerated 2,016,000 at an average of \$17.75. The number of pianos on the assessment list decreased from 15,000 to 13,700, but the average value jumped from \$70.24 to \$143.02. For enumerated personal property the aggregate increase was 138 per cent. For unenumerated personal property, including intangibles, the percentage of increase was even greater—186 per cent, from \$62,000,000 to \$177,000,000.

There appear to have been two principal influences behind this remarkable increase in the assessments. One of these was the administrative leadership furnished by the State auditor of public accounts, who urged the local assessors to undertake more searching enumeration of property than in preceding years and to raise their assessment ratios, at the same time promising them that the board of equalization would protect their counties from any discrimination which might result if other counties failed to raise their assessment ratios to a corresponding degree. The second influence, which received more notice in the contemporary press, was the expectation of a majority of the counties that the benefits of an increased assessment would be entirely local because of State laws granting to various local districts the increased taxes resulting from increased assessments.

The most important statute thus diverting a part of the State tax collections to local purposes was an act of 1869, by which the legislature declared that for any county, township, city, or town which issued bonds in order to aid in the construction of a railroad, the maximum assessment for the purposes of State taxes would remain for ten years at the amount of the assessment of 1868. During this period the State taxes on account of any increment of assessments in the particular local unit were to be set aside for paying interest on the registered railroad bonds. Only the State school fund tax and debt tax were exceptions reserved to the State. All taxes on the property of the publicly aided railways "collected for any purpose whatever" were to be added to the fund for paying interest on local bonds. This measure and others like it were evidently employed to evade the prohibition of the Constitution of 1848 against lending the credit of the State to "any individual, association, or corporation," and they were apparently valid under that constitution. The Constitution of 1870 forbade the general assembly to release or discharge "any county, city, township, town or district whatever, or the inhabitants thereof, or the property therein from their or its proportionate share of taxes levied for State purposes," or to commute such taxes in any form whatsoever.¹ After the adoption of this constitution the State auditor refused to return to any local unit any part of the taxes collected from a valuation greater than that on the assessment rolls of

¹ Constitution of 1870, art. ix, sec. 6.

1868, but the legislature, by an act of 1871, ordered the distribution to continue. This meant that in counties which had issued railroad bonds, any increase in the assessment in 1873 as compared with 1872 would yield funds for redeeming local debts rather than for the benefit of the State government. At this time the taxing districts which had taken advantage of the law covered more than half the area of the State and lay in 77 counties. Among the 25 counties which were not eligible for the commutation of State taxes, Cook County was the largest.

The proposal for an increase of the assessment ratio in 1873 was bitterly opposed in Cook County as a Downstate scheme to make Cook support the State government. Chicago newspapers charged that the only Downstate counties which would raise their assessments were those in which all the gain would accrue locally. Long-standing threats of secession from the state were revived.

TABLE 12

FREQUENCY DISTRIBUTION OF THE PERCENTAGE INCREASE IN LOCAL ASSESSED VALUATIONS OF NON-RAILROAD PROPERTY, BY COUNTIES: 1873 COMPARED WITH 1872

Change in aggregate assessment for county	Number of counties		
	Total	With railroad debt	Without railroad debt
Increase of 300% or more.....	14	10	4
Increase of 200% to 299%.....	28	23	5
Increase of 100% to 199%.....	27	21	6
Increase of 1% to 99%.....	28	19	9
Decrease	5	4	1
Total.....	102	77	25

When the assessment for 1873 was completed it revealed for Cook County an increase in local non-railroad assessments amounting to 55 per cent over 1872, compared with 170 per cent for all the remaining counties of the State. For the 77 counties which had railroad debts under the law of 1869, the mean change in aggregate local assessments of non-railroad property was 171 per cent, the median change was 168 per cent, and the range was from a decrease of 15 per cent in Macoupin County to an increase of 384 per cent in LaSalle County.¹ For the 24 counties, other than Cook, which had no railroad debt, the mean change of comparable assessments was 292 per cent—an increase more than one and one-half times as great as in the

¹ See Table 12 for a grouping of the counties according to (1) whether they had railroad debts, and (2) the percentage of increase in local assessments of non-railroad property.

counties which would retain locally part of the increment of State taxes. For all the counties without railroad debt, including Cook, the mean increase was 104 per cent, the median was 157 per cent, and the range was from a decrease of 3 per cent in Pope County to an increase of 413 per cent in Boone County. These percentages suggest that the increase of assessments was not entirely determined by the expectation of local benefits, as the arguments advanced in Cook County presupposed.¹

Although the aggregate equalized assessment of 1873 for State taxes exceeded \$1,355,000,000,² this included \$320,000,000 from which the State tax was reserved for local debt service. Consequently, the State tax rate for 1873 was nearly 25 per cent higher than it would have been in the absence of the grant to local governments. In Cook and other counties which had no railroad debt the validity of this tax was contested and the question was carried to the State supreme court. This court decided in 1874 that the auditor was right when he contended that the grant had been terminated by the new constitution.³ The court enjoined the collection of seven thirty-sixths of the State levy, although a large part of this tax was already either in the State treasury or in the hands of local collectors. This decision necessitated special legislation providing credits against subsequent taxes for those property owners who had paid at the full State rate for 1873. It was followed by a rapid and persistent decline of aggregate assessed valuations from the peak that had been reached in 1873.⁴

Corporation taxation since 1872—Beginning in 1875 important exceptions were made in the classes of corporations subject to State assessment on capital stock. In that year the legislature directed that companies and associations “for purely manufacturing purposes or for printing, or for publishing of newspapers, or for the improvement and breeding of stock should be assessed as individuals.” This was ambiguous, since it could mean that they were to be assessed on intangible property piecemeal, as were individuals, or that jurisdiction was transferred to local assessors, or both.⁵ The exception was clarified in 1879 by provision that such companies should be assessed by the local assessor, a change which was generally construed to mean complete exemption of such corporations from taxation upon corporate excess. In 1905 the legislature sought specifically to provide this exemption, but this act was declared unconstitutional. This revived the provision for local assessment of these corporations. In 1893 companies

¹ In his *Biennial Report* for 1874, the State auditor reported that the assessed valuation of 1873 in municipalities with a railroad debt was \$506,000,000, compared with \$186,000,000 in 1868. The percentages in the text are based upon the aggregate assessments for each of the 77 counties in which the county or any municipality had railroad debt outstanding under the act of 1869. Consequently the statements in the text are based upon aggregate local assessments of non-railroad property amounting in 1873 to \$909,480,000 in the 77 counties in which such debt existed.

² The aggregate of \$1,356,000,000 given earlier (p. 34) is the sum of the local assessments before equalization. The State aggregate was reduced \$947,000 on equalization.

³ *Ramsay v. Hoeger*, 76 Ill. 432 (opinion filed June 19, 1874; reported as of January term, 1875).

⁴ See Table 10, above, at p. 34.

⁵ The attorney-general advised that “neither the letter nor the spirit of the amendment deprives the board of the power to include the value of the franchises of such corporations in your assessments,” but the board of equalization was still uncertain about its powers. Cf. *Board of Equalization, Proceedings, 1875*, pp. 7, 9, 11.

for mining and selling coal, in 1895 building and loan associations and in 1905 mercantile companies were added to the list excepted from assessment by the State board.¹ A report prepared by an official investigating committee in 1910 asserted that "the classes of corporations excepted from assessment by the State board of equalization are practically exempt from any assessment on their capital stock." In spite of repeated recommendations for change, the exceptions continued and the Tax Commission, successor of the State board of equalization, still assesses the corporate excess only of corporations which are *not* organized for manufacturing and mercantile purposes, or either of these, or for mining and the sale of coal, printing, newspaper publishing, stock breeding, banking or building and loan association purposes. Intensive field work by the present Tax Commission has brought about a material improvement in the local assessment of capital stock.²

The tax applies to the capital stock of domestic corporations only. In the earliest years of the tax efforts were made to assess foreign corporations also, but this was declared by the supreme court to be unauthorized by the statute. Despite recommendations that the law be amended to remove discriminations against Illinois corporations, the change has not been made and efforts by local assessors to assess foreign corporations upon their corporate excess have proved fruitless.

Property tax administration—When the board of equalization was displaced by the Tax Commission in 1919, the powers of the former board relative to equalization and original assessment were all inherited by the commission. This body was given in addition broad powers of supervision over local assessments and was directed to conduct research and make investigations which would lead to recommendations for improvement of the State revenue system.

Apart from the duties assigned to the State board or commission and certain minor duties of the auditor of public accounts relative to the publication of assessment and rate statistics, administration of the property tax has been almost entirely in the hands of local officials. The local administrative organization has undergone no penetrating change since 1839 and has been changed only in minor details since 1872. When the general property tax was first adopted provision was made for the appointment of assessors by the county commissioners' courts (the county boards) with appeal by property owners from the assessors to the county commissioners' courts. Four years later assessment duties were assigned to the county treasurers, and a revision of the township organization law in 1849 provided for elected township assessors, with review of assessments by the assessor only and equalization by the county board. In 1851 the duty of reviewing assessments was transferred to a township board comprising the assessor, the town

¹ The general assembly first sought to exempt the capital stock of building and loan associations by *Laws*, 1887, p. 131, and by *Laws*, 1891 p. 89, but the exemption was declared unconstitutional in *People's Loan & Homestead Association vs. Keith*, 153 Ill. 609 (1894). See also *Laws*, 1901, p. 265, held unconstitutional in *In re St. Louis Loan & Investment Co.*, 194 Ill. 609 (1902). Under the act of 1895 the shares were to be assessed to the individual owners and the real estate to the association.

² See Tax Commission, *15th Annual Report*, 1933, pp. 11-14.

clerk, and the supervisor; this was followed two years later by a provision for a county board of review, in addition to the township board in township counties, and for review by the county courts in other counties. Under the revenue act of 1872, the county board was constituted the board of review *ex officio* in all counties, with power to change individual assessments and to equalize, but the township boards of review were also retained. The county assessor in non-township counties was made appointive by the county board; this provision was changed a year later so that the county treasurer was *ex officio* county assessor. The revenue act of 1898 abolished township boards of review and provided for county boards of review in all counties, with elective members in Cook County and with membership partly *ex officio*, partly appointive in other counties.¹ It made the county treasurer *ex officio* supervisor of assessments in township counties, with general supervision over the elective township assessors. An elective board of five assessors was provided for Cook County. The only important change in local administrative organization since that time occurred in St. Clair and Cook counties. In St. Clair in 1920 an elective board of five assessors was established and an elective board of review was substituted for the appointive board. In Cook County a single elective county assessor and a board of appeals of two members were established in 1932.

With respect to collection, the tax laws have undergone even less change than in the field of assessment. The original provision of 1839 was for county collectors appointed by the county commissioners' courts. In 1843 the sheriffs were made collectors, and in 1849 these were displaced in township counties by elected township collectors who made their returns to the county treasurer as *ex officio* county collector. This collection organization has never been changed, excepting that in 1901 township collectors were abolished in townships lying wholly within cities of more than 50,000 population and their duties were assigned to the county collector, and in 1917 township collectors were abolished in counties of less than 100,000 population and their duties were assigned to the county collector.² Under this arrangement the chief assessing officer in township counties, other than Cook and St. Clair, is also the collecting officer; in township counties of more than 100,000 population, the locally elected township collectors³ serve as deputies of the county collector; and in other counties, deputies are appointed. In non-township counties, on the other hand, the county treasurer is also the assessor, but the sheriff is the collector.

History of proposals for improving the tax—The fundamental characteristics of the general property tax as it exists in Illinois have been reviewed from time to time by successive investigating commis-

¹ In non-township counties the county board continued as the board of review *ex officio*. In township counties the chairman of the board of supervisors is *ex officio* chairman of the board of review. From 1898 to 1901 the law provided that the clerk of the court should be *ex officio* a member of the board of review, the county judge appointing the third member. Since 1901 two members have been appointive by the county judge.

² There are nine counties of more than 100,000 population, but not all of these have chosen to elect township collectors.

³ In those places where this system is retained.

sions during the sixty years since the last codification of the tax laws. An extensive movement for tax reform throughout the 1870's brought forth in 1885 the establishment of the first official revenue investigating committee in Illinois. The proposals of this commission for a new revenue law, providing for a complete separation of State and local revenue sources, the establishment of a State tax commission, and administrative changes, were not reflected in legislation. In 1894 the State bureau of labor statistics prepared a report which revealed extensive inequalities in assessments of property, and this report was doubtless one of the influences which led to enactment of the revenue act of 1898, superseding at some points the law of 1872. A special tax investigating commission reporting in 1910 advised the establishment of a State tax commission in place of the board of equalization and presented drafts of a constitutional amendment which would permit the classification of personal property for tax purposes. Neither of these proposals was enacted by the legislature. The faults of the general property tax, as they have been revealed by earlier reports were more extensively demonstrated by additional investigation by R. M. Haig, who catalogued them as follows in his *History of the General Property Tax in Illinois*, published by the State University in 1914:

“There is gross undervaluation.”

“There is great lack of uniformity.”

“There is also great lack of universality.”

“The administrative organization is defective.”

“Such conditions,” Haig continued, “cry aloud for amelioration, but complaints have been raised so long and so continuously that the legislators have come to consider them normal and necessary.”¹ He suggested codification and simplification of the revenue laws; creation of a permanent tax commission in place of the board of equalization; relaxation of constitutional restrictions; separation of State and local revenue sources, with the State dependent upon new “indirect” taxes; revision of the tax on personal property; and some reform of the taxation of corporations—possibly the use of net income in place of corporate excess as the measure of the tax.²

At a special election in 1912 there were 541,189 favorable votes against 187,467 negative votes upon a public policy question asking whether the legislature should submit a constitutional amendment providing for the classification of property. The majority required by the constitution was 592,000, so that if this had been a vote upon an amendment, the proposition would have failed; since it was merely an advisory vote the overwhelming favorable majority might have been interpreted by the legislature as significant.

There was, however, no action on the basis of this referendum until 1916, when the constitutional amendment proposed by the special commission of 1909-11 was finally submitted to the voters. It

¹ *Op. cit.*, pp. 218-20.

² See *ibid.*, pp. 225-228.

drew 656,298 favorable votes against 295,782 negative, falling short of the necessary constitutional majority by fewer than 16,000 votes. In 1922 the voters rejected decisively a new constitution which embodied a completely revised revenue article, eliminating the universal uniformity rule, permitting taxation of intangibles on the basis of either valuation or income, and authorizing a general net income tax with its maximum rate limited to three times the lowest rate. Four years later a new amendment to the revenue article of the constitution was submitted to the electorate. It embodied the major provisions of the amendment rejected in 1916 and also authorized an income tax if approved by two-thirds of the members elected to each branch of the legislature. This proposal received 651,768 votes in its favor and 476,455 against it, but fell short of the required constitutional majority by 305,000 votes.

A new investigation of the property tax was completed in 1929 by a special joint legislative revenue committee, which was largely an outgrowth of the Cook County reassessment and the financial difficulties accompanying it. The report of this committee reiterated the already familiar indictments of the property tax and expressed the committee's opinion that those sections of the constitution requiring that all property be taxed uniformly in relation to value imposed "a tax system which is economically unsound, impossible of administration and politically debasing in its effects." The committee recommended a constitutional amendment permitting classification and urged resubmission of the amendment which failed in 1926. The Tax Commission reiterated these views and enlarged the scope of the remedial program in its *10th Annual Report* for 1928, published in 1930, in which it included a detailed examination of the revenue system. The Commission recommended that Article IX of the Constitution be entirely rewritten, its terms liberalized, and the uniform rule of the general property tax eliminated. It suggested that the legislature should be enabled to adopt in its discretion such measures as a classified property tax, low-rate tax on intangibles, an income tax, and similar measures without further constitutional amendment.

A proposal for constitutional change was adopted by the special legislative session of 1930. The amendment was expected to permit both a classified property tax and a tax on net income; it stipulated that if an income tax was imposed, not more than 15 per cent of the revenue should accrue to the State, except by the affirmative vote of two-thirds of the members of each house. The proposed amendment was attacked not only for its provisions, but also on the ground that it had been adopted by an improper legislative procedure and submitted in an improper manner. Thus placed under a double shadow, it attracted only 371,812 affirmative votes and 513,861 negative, from a total of 2,333,000 voters.

A special tax conference appointed by the Governor early in 1931 submitted a report to an extra legislative session in November of the same year. This report was concerned chiefly with the crisis occasioned by the Cook County reassessment and the economic depression,

but the executive committee of the conference declared itself "thoroughly convinced of the necessity of amending and modernizing the revenue provisions of our State constitution at the earliest possible moment." The program set before the legislature embodied proposals for the restoration of the credit of local governments and for relief to distressed taxpayers through (a) provisions for new sources of public revenue and for more effective taxation of personal property, (b) provisions for installment payment of delinquent real estate taxes, (c) reduction of public expenditures and tax rates, introduction of uniform public accounting, and official publication of information as to finances of all public bodies, and (d) provisions to promote uniformity of assessment and the consolidation of taxing bodies when desired by the voters. A number of specific proposals designed to attain these objectives were enacted into law. These included reorganization of the assessing system in Cook County, various measures relating to the issuance of local tax anticipation warrants, and the adoption of the State tax on net income which later proved to be unconstitutional.

The present Tax Commission reviewed the structure and administration of the property tax in its *15th Annual Report* for the assessment year 1933 and made numerous recommendations for change. This Commission pointed out that the revenue article of the State Constitution has prevented the legislature from developing and diversifying the fiscal system, with the consequence that the costs of education, of local roads and streets, of protection of persons and property, and of the many other functions of State and local governments, have had to be borne principally out of levies upon real and personal property under rules and procedures developed more than sixty years ago. The Commission advocated constitutional amendment on the ground that the Constitution prevents the differential treatment of certain classes of property, prohibits the exemption of other classes from the general property tax, and precludes the use of many devices calculated not only to improve the revenue yield but also to make administration more effective and equitable. At the same time the Commission made numerous suggestions for changes which would improve the assessment and collection of taxes under the present Constitution. Chief of these is the centralization of administration of State and local revenues. A diminution of the number of local assessors, the creation of a more extensive supervisory organization, a shift in the assessment date, an enlargement of the supervisory powers of the Tax Commission to cover the extension and collection of taxes, the abolition of township collectors, the simplification of the process of levy and extension, the redefinition of real and personal property, the filling in of statutory gaps which practically exempt passenger and freight car-line companies from property taxes, the concentration of all capital stock assessments in the Tax Commission, the taxation of a portion of the corporate excess of foreign corporations, and a general revision and clarification of the revenue laws were among the other proposals made by this Commission.¹

¹ Cf. Tax Commission, *15th Annual Report*, 1933, pp. 31-40 and 335-40.

Illinois Central Tax

Expansion of State services prevented the Illinois Central gross receipts tax from satisfying early prophecies that it would pay all expenses of the State government.¹ It seldom yielded more than one-eighth of all net State revenues, but it was for more than 20 years an important means of paying off the old internal improvement debt.

The company has paid a flat rate of 7 per cent of charter line gross receipts since 1858, but this is only the minimum payment required by the contract with the State. The charter obligates the company to pay 5 per cent of its gross receipts, and in addition to pay either 2 per cent of gross receipts or an *ad valorem* tax at the general State rate but at not more than 7.5 mills, whichever is the greater. In 1857, when the railroad property first became subject to *ad valorem* taxation, the State rate upon a valuation fixed by the auditor exceeded the 2 per cent of gross receipts, but the company contended that 7 per cent of gross income measured its maximum as well as its minimum liability. The supreme court was spared from interpreting the 7 per cent clause by an agreement of attorneys practically limiting the case to the correctness of the assessment. The court disapproved the auditor's valuation and indicated that the company had paid more than the State rate on the reduced valuation.² Thereafter the company continued to pay a flat tax of 7 per cent of gross receipts without regard to the probable yield of the *ad valorem* tax. In 1870 the State auditor produced rough estimates indicating that no reasonable assessment—if equalized with the current undervaluation of property generally—would yield, even at the full 7.5 mill rate, more than 2 per cent of the gross receipts. Since that time there probably has been no year in which the State property tax on an equalized assessment would have exceeded 2 per cent on gross receipts.

In 1905 there was an attempt in the legislature to provide for an investigation into the company's method of accounting for charter line receipts. The governor followed this with a refusal to accept the semi-annual report of the company and undertook his own inquiry. In 1907 the State instituted suit for an accounting covering gross receipts of the Illinois Central charter lines for each year from 1877 to 1906 inclusive. Because of the long period covered, preparation of the case took many months and court action was equally extended. The State supreme court, in a decision rendered in 1910,³ denied the claim of the State for an accounting for years prior to 1905 and overruled the contention that the company had no right to divert traffic from the charter to the non-charter lines. On practically all other significant points among the many that were decided the contentions of the State were upheld. The company was charged with the burden of furnishing information and of proving that it had divided fairly the joint earnings of the charter and non-charter lines. Free traffic arrangements with other railroads or with non-charter

¹ Cf. *supra*, p. 14.

² State v. Illinois Central Railroad Company, 27 Ill. 64 (1861).

³ State v. Illinois Central Railroad Company, 246 Ill. 188.

lines, inadequate remuneration for services performed for non-charter lines, arbitrary reductions from gross receipts, and other devices designed to minimize taxable gross receipts were disapproved. Review of the company's accounts for 1905 and later years in the light of the supreme court decision was a slow process handed down by each attorney-general to his successor for 20 years. Public interest cooled as the heat of the original controversy abated. State expenditures for the legal and auditing work accumulated. Original predictions that the State would recover at least \$6,000,000 in back payments from the Illinois Central Company were generally forgotten, as were expectations that the court decision would add at least \$1,000,000 yearly to subsequent remittances. In 1926 the then attorney-general agreed to a settlement whereby the company paid \$1,500,000 in return for the surrender of all claims of the State on behalf of taxes of the years 1905 through 1926. Since 1905 the State had spent at least \$887,000—perhaps considerably more—in the litigation. The company had spent quite as much. The attorney-general who made the settlement predicted that the State could not obtain from the company more than \$450,000 additional payment for the 20 years in controversy unless further extended and costly litigation was undertaken. Under the settlement, the company agreed to assume all unpaid costs of the litigation, and all proceedings were terminated. The terms of the agreement included a promise by the railroad company to revise its method of determining charter line gross receipts. Whatever reforms may have followed, they had no perceptible effect upon the trend of the tax payments. After 1927 the yearly amount declined rapidly as railroad traffic fell off. In 1934 the payments turned upward. During the fiscal year 1936 the State received 20 per cent more than in 1933, yet this was less than half of the amount collected for 1927.¹

Inheritance Tax

Although Illinois now has an inheritance tax and does not have an estate tax, the act of 1895 which added this element of the revenue system had some of the characteristics of an estate tax interspersed among the provisions for an inheritance tax. For example, in the case of bequests to near relatives, the tax rate was expressed as a percentage of the individual legacies, but for all other heirs the tax was expressed as a percentage of the value of the *estate* and *estates* valued under \$500 were exempted. For next of kin, the exemption was \$20,000 to each heir, and for uncles, aunts, nieces, nephews and their lineal descendants the exemption was \$2,000 to each heir. The rates for these two classes were proportional above the exemption—1 per cent for next of kin and 2 per cent for the others. Other heirs paid from 3 per cent on *estates* of \$10,000 or less to 6 per cent on *estates* of more than \$50,000. There were few changes in the inheritance tax until 1909, when a new act was adopted eliminating many of the ambiguities. This act increased the rates and made them progressive for all classes of heirs. In addition it strengthened various

¹ Cf. Table 7. Receipts of \$4,895,300 shown for 1927 in the table include \$1,500,000 received under the settlement agreement.

ILLINOIS TAX COMMISSION

TABLE 13

ILLINOIS INHERITANCE TAX RATES, 1895 TO 1936

NOTE: The rates apply only to the individual shares in the net estate and each rate applies only within the limits of the designated bracket excepting where the contrary is noted.

Year of enactment	I. Direct heir ¹			II. Collateral heir ²			III. Distant heir ³			
	a. Lineal relative		b. Brother or sister		Bracket		Bracket		Bracket	
	Bracket	Tax rate	Bracket	Tax rate	Bracket	Tax rate	Bracket	Tax rate	Bracket	Tax rate
1895 (<i>Laws 1895, p. 301</i>)	\$ 0-\$20,000 Over 20,000	0% 1	\$ 0-\$20,000 Over 20,000	0% 1	\$ 0-\$2,000 Over 2,000	0% 2	\$ 0-\$500 50,001-10,000 10,001-20,000 20,001-50,000 Over 50,000	0% 3 4 5 6	\$ 0-\$500 50,001-10,000 10,001-20,000 20,001-50,000 50,001-100,000 Over 100,000	0% 3 4 5 6 10
1909 (<i>Laws 1909, p. 312</i>)	\$ 0-\$20,000 20,001-120,000 Over 120,000	0% 1 27	\$ 0-\$20,000 20,001-120,000 Over 120,000	0% 1 27	\$ 0-\$2,000 2,001-20,000 Over 20,000	0% 2 45	\$ 0-\$500 50,001-10,000 10,001-20,000 20,001-50,000 50,001-100,000 Over 100,000	\$ 0-\$500 50,001-10,000 10,001-20,000 20,001-50,000 50,001-100,000 Over 100,000	0% 3 4 5 6 10	
1919 (<i>Laws 1919, p. 757</i>)	\$ 0-\$20,000 20,001-70,000 70,001-170,000 170,001-270,000 270,001-520,000 Over 520,000	0% 1 2 3 5 7	\$ 0-\$10,000 10,001-60,000 60,001-160,000 160,001-260,000 260,001-510,000 Over 510,000	0% 1 2 3 5 7	\$ 0-\$500 50,001-20,500 20,501-70,500 70,501-170,500 Over 170,500	0% 3 4 6 8	\$ 0-\$100 10,001-20,100 20,001-50,100 50,001-100,100 100,001-150,100 150,001-250,100 Over 250,100	\$ 0-\$100 10,001-20,100 20,001-50,100 50,001-100,100 100,001-150,100 150,001-250,100 Over 250,100	0% 5 6 8 10 12 15	
1921 (<i>Laws 1921, p. 768</i>)	\$ 0-\$20,000 20,001-70,000 70,001-170,000 170,001-270,000 270,001-520,000 Over 520,000	0% 2 4 6 10 14	\$ 0-\$10,000 10,001-60,000 60,001-160,000 160,001-260,000 260,001-510,000 Over 510,000	0% 2 4 6 10 14	\$ 0-\$500 50,001-20,500 20,501-70,500 70,501-170,500 Over 170,500	0% 6 8 12 16	\$ 0-\$100 10,001-20,100 20,001-50,100 50,001-100,100 100,001-150,100 150,001-250,100 Over 250,100	\$ 0-\$100 10,001-20,100 20,001-50,100 50,001-100,100 100,001-150,100 150,001-250,100 Over 250,100	0% 10 12 16 20 24 30	

¹ Direct heirs comprise father, mother, lineal ancestor, husband, wife, child, brother, sister, wife or widow of son, husband or widower of daughter, legally adopted child, mutually acknowledged child under certain conditions, any lineal descendant of decedent born in lawful wedlock, and any lineal descendant of adopted child or of mutually acknowledged child of decedent. (Widower of daughter added in 1933; descendant of adopted child or of mutually acknowledged child added in 1929; descendant of mutually acknowledged child removed from this class to class III in 1933.) Under the laws of some states, brothers and sisters are considered not as direct heirs but as collateral heirs.

² Collateral heirs comprise uncle, aunt, niece, nephew, or lineal descendants of any of these.

³ Distant heirs comprise all beneficiaries not in the other two classes, excepting that there is no tax whatever upon transfers to or for the use of hospital, religious, educational, bible, missionary, tract, scientific, benevolent, or charitable purposes if the recipient is not a dividend-paying corporation. The law does not specify, but the courts have held, that the exemption extends only to bequests to Illinois corporations, societies, or institutions (In re Estate of Speed, 216 Ill. 23, 1905; People v. Illinois Merchants Trust Co., 328 Ill. 223, 1927). This exemption was added to the original law by an amendment of 1901 and incorporated in the act of 1909.

⁴ Under the act of 1895 the exemption and the rates for distant heirs were in terms of the value of the entire estate rather than the value of individual legacies. Consequently the brackets in the table apply only in case there was one heir for an entire estate. Any other distribution of an estate would require modification of the table to show that the first \$500 of the estate was exempt, and the whole of any estate valued at over \$500 was taxable (without any exemption) to each distant heir at a rate depending on the size of the estate.

⁵ This rate applied to the entire legacy (no part exempted).

⁶ The terms of the statute were "\$2 on every \$100 of the clear market value of such property received by each person, when the amount so received exceeds in amount the sum of \$100,000," but this was interpreted to mean 2 per cent on amounts exceeding \$100,000 over the exemption (In re Ullman's Estate, 263 Ill. 528).

⁷ This rate applied to the entire amount of the legacy above the exemption.

administrative provisions and eliminated some means of avoidance formerly available, such as exemptions of life estates to direct descendants where the remainder went to strangers. A flat rate was applied to the whole taxable amount of each legacy, rather than a rate varying for each bracket as under the present law; consequently the rates of taxation under the act of 1909 were not so much below those in the present law as a simple comparison of the rates might suggest.¹ Various later amendments strengthened the administrative provisions further. By an amendment in 1919 the present bracket system of rates was adopted, with each tax rate applying only within the limits of a given bracket; the number of brackets was increased; and the rates were advanced.² Two years later the rates were doubled. Since 1921 they have not been changed, although other provisions of the law have been altered at nearly every legislative session. The current rates and those provided in each earlier enactment are exhibited in Table 13. The exemptions are \$20,000 each for next of kin, excepting that for brothers or sisters the exemption is \$10,000 each; \$500 each for heirs who are collateral relatives of the decedent, and \$100 each for persons in the class of distant relatives and strangers.

Administration of the inheritance tax has been divided among several agencies since its inauguration. In this respect the tax has undergone no material change. The county or probate judge determines whether particular transfers are taxable and appraises taxable bequests or has them appraised. The judges and county clerks are required to submit quarterly reports of unpaid inheritance taxes to the county treasurers for transmission to the inheritance tax division of the office of the Attorney-General. This State office has general supervision over the assessment and collection of the tax. Tax forms are drawn by the Attorney-General and supplied by him to county officers. The record book used by the county judge is furnished by the State Treasurer. Payments are made by the executor, administrator, or trustee of each estate to the county treasurer, who retains 2 per cent to cover collection expenses and makes a monthly remittance of the remainder to the State Treasurer, with a report to the State Auditor.

Insurance and Corporation Taxes

Special taxes on the insurance business, though applying for the most part only to foreign companies, have always surpassed all other corporation fees and taxes in fiscal importance in Illinois. Moreover, differential taxation of insurance companies apparently antedates the general corporation tax, for it was introduced in 1841 in the form of an agents' license tax followed in 1843 by a gross premium receipts tax upon foreign life insurance companies.

¹ Under the act of 1909, a bequest of \$251,000 to a stranger was taxed 10 per cent, or \$25,100. At present such a bequest would be exempt on the first \$100, taxed at 10 per cent on the next \$20,000, 12 per cent on the next \$30,000, 16 per cent on the next \$50,000, 20 per cent on the next \$50,000, 24 per cent on the next \$100,000, and 30 per cent on the remaining \$900—a total of \$47,870 tax, or an effective rate of 19 per cent.

² For distant heirs the change in the bracket system brought about an actual decrease in effective rates on some legacies. For example, the \$251,000 inheritance considered in the preceding footnote would have been subject to a tax of \$23,935 under the rates enacted in 1919, compared with \$25,100 under the earlier law.

The act of 1869 which provided for taxing foreign fire, marine, and inland navigation insurance companies under the property tax upon their premium receipts,¹ included a retaliatory clause imposing additional liabilities depending upon the tax policies of the states of incorporation. By this clause, these types of companies were required to pay to the State of Illinois fees, fines, taxes, etc., at least as high as those imposed by the home state upon Illinois corporations doing similar business there. Like provisions were applied in later laws to other foreign insurance companies. Such retaliatory provisions were upheld in several cases by the State Supreme Court and the decisions were followed by prompt increases in insurance tax collections.

Insurance premium taxes—In 1899 the legislature adopted two acts imposing an annual tax of 2 per cent of gross premium receipts of insurance companies. One act was general, levying the tax upon all foreign insurance companies other than life. It made the tax a condition precedent to doing business in Illinois. It required annual payment to the State insurance superintendent and provided that such payment should be in full for all taxes, State and local, excepting taxes on real estate and any reciprocal (retaliatory) taxes required by law. Fire insurance companies were to be allowed credit for any premium tax paid to cities and villages with organized fire departments.² The other act applied to mutual burglary and casualty companies whether foreign or domestic. The premium receipts tax under this law was in lieu of all other municipal and State taxes.³ The more general act was soon declared unconstitutional on the ground that the legislature had no authority to release the insurance companies from municipal taxes on personal property without at least providing some sort of equivalent payment to the municipal corporations.⁴ The corresponding State tax on mutual casualty and burglary risk companies was supposed to suffer from the same constitutional defect. In any case it was of no practical importance since there were no such companies operating in Illinois in 1909. It was repealed in 1915.

The gross receipts tax for support of the office of the State fire marshal was introduced in 1909. It applied to all fire insurance companies, foreign and domestic. The rate was to be determined annually by the fire marshal according to administrative needs, but at not more than one-fourth of 1 per cent of gross premium receipts in Illinois.⁵ This law continued without material amendment until 1933, when an annual rate at the maximum level was effectively assured by a provision that any surplus in the fire prevention fund at the close of each year should be transferred to the State general revenue fund instead of being applied, as the earlier law provided, to reducing the rate for the following year. In 1935 the maximum rate was doubled.

¹ Cf. *supra*, p. 33.

² *Laws 1899*, p. 235.

³ *Laws 1899*, p. 235.

⁴ *Raymond v. Hartford Insurance Company*, 196 Ill. 329 (1902).

⁵ *Laws 1909*, p. 266.

The comprehensive gross receipts tax of 1899 was not revived until 1919, when an annual privilege tax of 2 per cent was imposed upon all types of non-resident insurance corporations and associations licensed to sell insurance in Illinois.¹ The new tax was declared to be in lieu of municipal license fees or privilege or occupation taxes, and such municipal charges upon either the companies or their agents were forbidden. The city and village taxes (if any) paid for the support of organized fire departments were made credits against the State tax. The fatal defect of the act of 1899 was avoided by express provision that the new law should not be construed to prevent the levy and collection of any property taxes, State or local, or of municipal fire department taxes and the State fire marshal tax. This tax has continued without change.

The act of 1919 for a gross premiums tax upon foreign insurance companies was not accompanied or supplemented by provision for any similar tax on domestic companies. On the other hand, it included a reciprocal provision making the Illinois privilege tax higher than 2 per cent upon companies organized in any state or territory which has laws subjecting Illinois corporations to taxes, fines, penalties, or fees that would produce amounts greater than would be produced by application of the Illinois law. The laws of the home state determine the tax in such cases. Illinois domestic insurance companies, excepting fire insurers, remain free in their home state of all special insurance taxes. Like other business, of course, they continue subject to property taxes on their corporate excess and tangible property.

Corporation taxes—Comprehensive taxation of business corporations generally, apart from the general property tax, was not inaugurated in Illinois until 1919, the same year as the universal premium receipts tax on foreign insurance companies. At various earlier times business corporations had been made subject to fees and taxes of special types but these were insignificant fiscally. Before 1848 any incorporation and registration fees which may have been collected accrued to the secretary of state personally; and from 1848 to 1870 both the secretary and the auditor of public accounts had perquisites of this sort. Their profits after paying clerks from the fees seem to have been negligible. The constitution of 1870 required that such fees be paid into the treasury.² Since then they have been included in the revenue collected by the secretary of state. Receipts on this account were an insignificant part of State revenue until 1893, when the general incorporation fee was raised to \$25 with a resulting sharp advance in collections. The receipts were further increased in 1895, when, upon the recommendation of the secretary of state, the legislature imposed a sliding scale under which the tax varied with the amount of capital stock authorized. A similar graduated tax was imposed upon increases of authorized capital. Such taxes were, of course, payable only on specific occasions for each corporation—at the time of incorporation and at the time of expansion of the capitalization. In 1897 the system was extended to foreign corporations, other

¹ *Laws 1919*, p. 628. Fraternal benefit associations and societies were exempted from the tax.
² Art. V, sec. 23.

than insurance companies, by a provision requiring them to pay the same fees as Illinois corporations, but only on that proportion of their capital stock represented by "property and business" in Illinois. The only annual fee upon corporations before 1919 was a charge of \$1 for filing statutory reports. The general corporation act of 1919 introduced an "annual license fee or franchise tax" applying to every corporation for profit, including railroads but excepting insurance companies, whether incorporated in Illinois or merely licensed to do business in the state. The tax was measured for each company by "the proportion of its authorized capital stock represented by business transacted and property located in this state" and the rate was fixed at five cents on each \$100.¹ For corporations having neither property or business in Illinois, there was a tax of \$10 to \$1,000 depending on the aggregate value of the capital stock.²

With revision of the general corporation act in 1933, the franchise tax provisions were amplified. The rate of five cents on each \$100 of a capital structure was retained, but the basis of the tax was changed to "the amount represented in this State * * * of the sum of the stated capital and paid-in surplus."³ Inclusion of paid-in surplus was necessary to prevent wholesale tax avoidance.

The sale of a few classes of corporate securities has also been subjected to a tax. The "blue sky" law of 1919, directing registration with the secretary of state of securities offered for sale, imposed a tax of five cents for each \$100 of face value but not less than \$25 or more than \$300 on the registration of certain types. Collections are made by the secretary of state. Public utilities are taxed ten cents on each \$100 face value of bonds and long-term notes authorized by the Illinois commerce commission under a provision adopted in 1913 and continued since then without substantial change. This tax on public utilities is assessed and collected by the commerce commission.

Motor Vehicle Taxes

During the first century of statehood the provision of public roads was left almost entirely to the counties and their subdivisions. The slight expenditures which the State itself made in its early history were almost entirely for the viewing, marking, and survey-

¹ The basis of *authorized* capital stock was declared void as to foreign corporations in *O'Gara Coal Company v. Emmerson*, 326 Ill. 18 (1927), following *Air-Way Electric Appliance Corporation v. Day*, 266 U. S. 71 (1924), although it had been upheld as to domestic corporations in *Roberts and Schaefer Company v. Emmerson*, 271 U. S. 50. As a result of the *O'Gara* decision, the legislature in 1927 substituted the words "issued capital stock, or amount to be issued at once," for the words, "authorized capital stock" (*Laws 1927*, p. 354.).

² *Laws 1919*, p. 312, secs. 105-118, 129, and 130. The minimum tax on any corporation was \$10. The graduated tax applied until 1927 to corporations without tangible property and transacting no business in Illinois. By *Laws 1927*, p. 354, the word "tangible" was dropped. In *St. Louis Southwestern Railway Company v. Stratton*, 353 Ill. 273 (1933), the graduated minimum tax was declared void as applied to foreign corporations. (Certiorari denied by the United States supreme court—291 U. S. 673.)

³ *Laws 1933*, p. 308, sec. 127, 131-134, and 138-140½. The minimum tax for all corporations was graduated from \$10 to \$1,000 according to the sum of stated capital and paid-in surplus, without regard to the amount represented in Illinois; but the minima were inapplicable to foreign corporations under the decision in *St. Louis Southwestern Railway Company v. Stratton*, *supra*, and were therefore not enforced by the secretary of state. Cf., also, Attorney-General, *Report and Opinions*, 1934, p. 293. A \$10 minimum tax in sec. 140 (as amended by *Laws 1933-34*, 3d spec. sess., p. 146), which referred expressly to an initial franchise tax for a fractional year, was construed by the secretary of state to apply by implication to the annual tax.

ing of routes, although a few thousand dollars were expended for building bridges in various counties. Before the constitution of 1848 was adopted, a short lived era of privately-owned plank roads had come and gone, leaving little permanent result. Illinois still depended upon muddy prairie roads. The General Assembly continued to create State roads by legislation, "laying them out by stakes in the prairie and blazes on the trees, but experience demonstrated that even a sovereign state could not legislate a mudhole into a turnpike."¹

Even in 1870, although more miles of road had been constructed, the condition of highways was hardly better than it had been twenty-five years earlier. Country districts depended almost entirely on earth roads, most of them almost impassable during part of each year. The provision of roads was still a local function, entrusted to local road supervisors appointed in districts created by the county commissioners. The road tax was still a labor tax. Provision for road maintenance by contract was rejected in 1872, "because the farmers wished to work out their road taxes at leisure."² During the 1870's the State board of agriculture attempted to encourage the improvement of roads by conducting contests and awarding prizes. Property tax levies for road purposes increased rapidly, amounting in 1879 to \$1,260,000 for the entire State and an average rate of 1.6 mills. Five years later the aggregate levy was \$2,260,000 and the average rate 2.6 mills. Only a negligible part of the collections was devoted to construction of roads with improved surfaces. Even as late as 1905, the first year for which a comprehensive survey is available, there were only 7,864 miles of macadam and gravel road in a total of 94,141 miles of public roads in Illinois; that is, in 1905 less than 8.5 per cent of the mileage was "permanently improved" according to the standards of that day. A movement for State assumption of the burden of rural road improvement began to appear in 1890, when the State Grange adopted resolutions favoring appropriation by the State and counties for hard roads between the county seats and other important towns. A bill to set up a State board of highway commissioners was introduced in the legislature in 1891, but such a board was not established until 1903.

In the interval the demand for highway improvement was intensified by the introduction of automobiles. Earlier agitation for road programs arose entirely from the demands of farmers for passable roads over which they could haul their produce to the railroads or to market. Now the urban owners of automobiles were also interested in improving the highways. A State good roads commission was appointed in 1903 to investigate the situation, and in 1905 a State highway commission was established. At this time local governments were spending more than \$4,000,000 a year on roads and bridges. Taxes levied for such purposes had increased

¹ Cole, *The Era of the Civil War 1848-70* (*Centennial History of Illinois*, vol. 3), p. 32.

² Bogart and Thompson, *The Industrial State 1870-93* (*Centennial History of Illinois*, vol. 4), p. 354. The labor tax for roads was not abandoned until 1913, when it was repealed by *Laws, 1913*, p. 520, which substituted a cash poll tax. Cities and villages may still impose a poll tax of two days labor on streets but must provide for commutation at 75 cents a day. (See *Capitation Taxes* in Table 5).

by 21.5 per cent in 14 years from 1884 to 1898, and by 49.3 per cent in the next seven years, to a total of \$4,009,000 in 1905.

Although the State highway commission established under the act of 1905 had little direct administrative power, its campaign for better earth roads brought about a wave of road dragging which abated about 1908 as it became apparent that the results could not be so great as had been at first anticipated. The commission made traffic surveys, constructed short lengths of experimental road of various kinds, and advised local officials upon the construction of roads and bridges, providing them with plans and specifications and supervising the work. Under such stimulus local expenditures continued to advance at an accelerating rate. In 1913 the local road and bridge levies were 73 per cent greater than in 1905, amounting to \$7,103,000.

Motor license tax—Even with local expenditures growing thus rapidly, there was demand for more rapid development of the State highway system. At least 23 other states had adopted a policy of granting aid from the state treasury, and Illinois now joined this group. Some provision had already been made for a special source of State revenue by the adoption in 1907 of a flat-rate registration fee of \$2 for automobiles, payable only once and replacing the special road tax which numerous local authorities had previously sought to collect from motor vehicle owners. In 1909 the \$2 fee was made payable annually. It was replaced in 1911 by a graduated registration fee, the proceeds of which were dedicated to highway improvement purposes. An intensive good roads campaign brought about the adoption of a State-aid law in 1913, establishing a highway commission with more general powers of administrative supervision than were enjoyed by its predecessor and with authority to distribute State aid funds.

By 1917 every county in the State had received a share of the State highway distribution. The availability of more and better roads stimulated the use of motor vehicles; the increased number and utility of motor vehicles, in turn, intensified the demand for road improvement. Provision was made for county borrowing in order that the work might be hastened, but demand arose for a large scale program on the part of the State. Meanwhile, the inauguration of Federal aid for roads under an act passed by congress in 1916 encouraged the strengthening of State administrative control over local highways, a development which was influenced also by other circumstances.

Upon the approval of a \$60,000,000 State bond issue for highway purposes in 1918 and of a further \$100,000,000 bond issue in 1924, the State government embarked directly upon an extensive system of road building and maintenance. The collections from motor vehicle licenses were pledged as the principal resource for debt service in both bond issue laws, with provision for a direct levy on property as a supplemental resource if this became necessary in any year.

It is unnecessary to trace here the history of the State highway program or to examine in detail the administration of the motor vehicle license tax. The highway work was assigned in 1917 to the division of highways of the department of public works and buildings and has remained since then a responsibility of that division. The administration of the motor vehicle tax was assigned at the very beginning in 1907 to the secretary of state and has remained in the charge of that official. The number of vehicles registered in each calendar year, the fees collected, and the rates of increase in the number of vehicles and in the amount of collections are set forth in Table 14. The table also shows the average fee collected in each year. The average fee is affected, of course, not only by changes in the rates stipulated in the law, but also by changes in the number of vehicles registered in particular classes.

TABLE 14
MOTOR VEHICLE REGISTRATIONS AND FEES: BY CALENDAR YEARS,
1911-1935

Calendar year	Number of vehicles (thousands)	Fees collected (thousands) ¹	Average fee	Percentage increase	
				In number of vehicles	In amount collected
1911	38.3	\$ 105.3	\$ 2.75		
1912	68.0	375.7	5.52	77.7%	256.6%
1913	94.6	507.1	5.36	39.2	35.0
1914	131.1	703.4	5.36	38.6	38.7
1915	180.8	924.9	5.11	37.9	31.5
1916	248.4	1,242.5	5.00	37.4	34.3
1917	340.3	1,587.8	4.67	37.0	27.8
1918	389.8	2,762.6	7.09	14.6	74.0
1919	478.4	3,262.2	6.82	22.7	18.1
1920	568.8	5,893.6	10.36	18.9	80.7
1921	670.4	6,776.8	9.94	17.9	15.0
1922	786.2	7,861.2	10.01	17.3	16.0
1923	973.6	9,630.4	9.94	23.8	22.5
1924	1,128.1	11,514.0	8.68	15.9	19.6
1925	1,267.7	12,936.9	10.20	12.4	12.4
1926	1,375.2	14,047.2	10.21	8.5	8.6
1927	1,443.6	14,839.6	10.28	5.0	5.6
1928	1,508.9	15,521.5	10.29	4.5	4.6
1929	1,619.7	17,087.2	10.55	7.3	10.1
1930	1,642.6	18,447.2	11.23	1.4	8.0
1931	1,616.7	18,426.5	11.40	-1.6	-0.1
1932	1,496.8	16,966.7	13.35	-7.4	-7.9
1933	1,466.0	16,229.3	11.07	-2.1	-4.4
1934	1,467.4	17,333.3	11.81	0.1	6.8
1935	1,537.6	18,622.3	12.11	4.8	7.4

¹ The amounts shown represent receipts by the secretary of state. These do not coincide with receipts at the State treasury, because of the time elapsing before the secretary of state transfers funds to the treasurer.

Fees on automobiles and trucks ranged from \$4 to \$10 from 1911 through 1915; from \$3 to \$10 in 1916 and 1917; and from \$4.50 to \$20 in 1918 and 1919. From 1920 through 1935 the rates for passenger vehicles ranged from \$8 to \$25; by an act of 1935 they were reduced so that beginning in 1936 the range is \$6.50 to \$22. Beginning in 1920 the fees for vehicles other than passenger cars for seven passengers or less ranged from \$12 to \$60, but in 1923 fees for trucks and busses of over 12,000 pounds were advanced and the maximum raised to \$150. In 1931 these fees were further advanced so that the rates for trucks and busses ranged from \$10 to \$250. In 1935 the license provisions for trucks and buses were changed so that the owner of any such vehicle was given the option, beginning in 1936, of paying (a) a \$5 license fee plus a flat weight tax, or (b) a \$5 license fee plus

TABLE 15

MOTOR VEHICLE LICENSE FEE COLLECTIONS IN RELATION TO STATE
HIGHWAY DEBT SERVICE OBLIGATIONS: 1921-1936

(Amounts in thousands of dollars)

Fiscal year	License fee collections	Highway debt service			License revenue as a percentage of total debt service
		Total	Net interest ¹	Principal	
1921	\$ 7,004.6				
1922	8,340.4	\$ 96	\$ 96		8,687%
1923	9,482.4	661	661		1,434
1924	11,540.9	1,352	1,352		854
1925	12,829.1	1,995	1,995		643
1926	13,879.1	5,220	3,237	\$1,983	266
1927	14,999.9	5,477	3,473	2,004	274
1928	15,368.0	5,759	3,757	2,002	267
1929	16,793.4	6,679	4,687	1,992	251
1930	18,701.5	7,729	5,720	2,009	242
1931	18,435.9	7,810	5,870	1,940	236
1932	17,124.4	8,441	5,889	2,552	203
1933	15,943.0	8,277	5,776	2,501	193
1934	17,636.9	8,165	5,700	2,465	216
1935	18,585.4 ²	8,934 ³	5,621 ³	3,313	208
1936	18,631.9 ²	9,070 ³	5,480 ³	3,590	206

¹ After deducting accrued interest on bonds sold.² Preliminary figures. Cf. *supra*, Table 7, footnote ¹¹.³ Contractual obligations for interest; actual payments are not yet reported.

a mileage tax at rates which advance from 1 mill to 20 mills per mile according to the gross weight of the vehicle.

The yield of the motor vehicle license tax has been more than adequate in every year to pay both interest and principal on all highway bonds outstanding, so that it has been unnecessary to resort to property taxation or other revenues to meet these charges. The relationship between motor vehicle license fee collections and payments on account of highway bonds is set forth in Table 15.

Gasoline tax—An intensive program of State highway construction, financed from the proceeds of the \$60,000,000 bond issue authorized in 1918, was carried forward so rapidly that the proceeds of this issue were exhausted by the end of 1924. At this time the second

highway bond issue of \$100,000,000 became available. The law authorizing this issue directed that the original system of 4,800 miles should be completed before work was begun upon 5,000 miles of new routes specified in this law. By 1926 the State division of highways had expended \$27,000,000 from the second bond issue, but the original 4,800-mile system of bond issue routes still lacked more than 500 miles for its completion, and no beginning had been made on the expanded system which was a condition of the new bond issue. The alternative of either curtailing the second program or providing new sources of revenue now had to be faced. From 1918 until the end of 1926 the State had paid for highway outlays, other than State-aid, a total of \$153,688,000, of which \$86,944,000 was borrowed money, \$23,838,000 Federal aid, and the remaining \$42,906,000 was derived primarily from motor vehicle license fees.¹ In any adequate estimate based on prices of 1926, at least \$32,000 a mile or a total of \$176,000,000 was necessary for the completion of the State highway system.

Earlier experience justified hopes in 1926 for a continuous increase in collections from the motor vehicle license tax, even without advance in the fees, but this increase would be largely offset by the rise of principal and interest charges on the increasing amount of outstanding bonds. If the State relied wholly upon surplus motor fees to supplement the proceeds of its remaining bonds, the road program could not be completed for a decade at the very least. Federal aid if not diminished might shorten the period about two years. Any further hastening of construction would necessitate advances in motor vehicle fees, an increase in the amount of property tax used for road building purposes, or the development of new revenue sources. Rather than postpone the completion of the State highway system, the legislature adopted in 1927 an act imposing a tax of 2 cents per gallon of motor fuel sold in the State. The revenues were to be divided equally between the State and the counties, for expenditure on highway construction. Because the act amended prior statutes by reference only and because the refund provision might conceivably be interpreted to entitle claimants to more than the amount of taxes actually paid on gasoline used for non-taxable purposes, this act was declared unconstitutional by the State supreme court in 1928.² In the interval before the decision more than \$6,000,000 had been collected in motor fuel taxes. Part of this money eventually found its way into the State road fund, claimants for refunds having been unable in some cases to support their claims.

By the end of 1928 outstanding contracts for highway construction obligated all the unissued highway bonds and all funds available from motor license fees. The State highway division estimated that in the absence of new revenue legislation, twenty years would be required for completion of the State bond-issue system. Again choosing to impose a new tax rather than to postpone completion of the

¹ During 1919-26 (calendar years) motor vehicle license fees yielded a total of \$71,922,000 of which only \$10,344,000 was required for payment of bond principal and interest during the same period.

² Chicago Motor Club v. Kinney, 329 Ill. 120 (February 24, 1928).

highway system, the legislature adopted a tax of 3 cents per gallon on motor fuel. Two-thirds of the proceeds were to be paid to the State for expenditure on the bond-issue-road system, and one-third was to be apportioned among the counties in proportion to their payments of motor vehicle license fees, for construction of designated classes of roads or the retirement of debt incurred in improving such roads. The law took effect August 1, 1929, and the first collections were received at the treasury in September. During the first several months, tax payments were withheld by gasoline distributors in the hope that the law might be declared unconstitutional, but by January, 1930, most doubts had been dissolved and back taxes began to come in. Through June, 1930, gasoline taxes received at the treasury amounted to \$19,465,000, representing net collections of \$18,893,000 after refunds to non-taxable consumers. During the next four years net collections were approximately \$29,000,000 a year, as shown in Table 16.¹

TABLE 16
COLLECTIONS AND APPORTIONMENTS UNDER THE MOTOR FUEL
TAX ACT OF 1929

(Amounts in thousands of dollars)

Fiscal year	Net revenue received during the year	Allotments actually paid during the year	
		To counties	To cities
1930	\$ 18,893.3	\$ 1,139.1	-----
1931	28,247.4	9,122.1	-----
1932	29,179.2	11,044.6	-----
1933	29,074.7	13,893.6 ¹	-----
1934	28,840.3	8,539.5 ¹	\$ 135.9
1935	31,053.5 ²	----- ³	----- ³
1936	33,479.2 ²	----- ³	----- ³

¹ Includes amounts diverted for emergency relief bond interest and principal—1933, \$687,500, and 1934, \$1,650,000.

² Gross receipts as reported by the treasurer in his *Monthly Reports*. Some payments under protest are probably included and deductions have not been made for refunds paid. Consequently these figures are exaggerated in comparison with those for earlier years.

³ Not yet reported. During the fiscal year 1935 there were allocations of \$6,654,300 for school purposes. Cf. p. 58, footnote ¹.

The original provision for distribution of the yield of the gasoline tax was changed in 1933 so that the State retained only one-third of the net yield, allotted one-third to municipalities in proportion to their population, and continued to distribute one-third to the counties. Meanwhile, provision had been made, beginning in 1932, for diversions from the counties' share of the gasoline tax to emergency relief. At a special session of the legislature in 1934 the apportionment was temporarily changed to give the common and high schools of the State one-third of the total yield of the motor fuel tax by reducing the shares of the State, counties and municipalities to two-ninths of the

¹ See also above Table 7.

total in each case. The diversion to school purposes was in effect only from July 1, 1934, to March 1, 1935.¹

Grants from the Federal Government

Outright grants from the Federal government to the State and local units have played a substantial part in the financing of governments in Illinois. These grants have taken two forms—land grants and money grants. Since 1818 the State and its subdivisions have received as gifts from the Federal government more than 6,200,000 acres, comprising more than one-sixth of the entire land area of the State. Almost half of this grant was for the Illinois Central Railroad. In the period since 1818 the State has also received in cash from the Federal government more than \$384,000,000, much the largest part of which was received during the last five years for unemployment relief.² Until the present decade there were no direct grants of cash from the Federal government to local governments.

Land grants—The earliest land grants constituted an endowment for education. They were given to Illinois upon admission to the Union, in conformity with a policy announced under the Articles of Confederation in 1785, in a congressional ordinance prescribing the manner of survey and sale of Federal lands. This ordinance directed that in every township section 16 should be reserved for the maintenance of public schools within the township. The enabling act for Illinois in 1818 followed the enabling acts for other western states in stipulating that in every township the 16th section, or some substitute, should be reserved to the State "for the use of the inhabitants of such township for the use of schools." This grant comprised 996,320 acres. In addition, the State received for a seminary two entire entire townships (46,080 acres), which were almost entirely sold within 15 years.³ The proceeds of the seminary land sales were borrowed for State operating expenses and recorded as a debt upon which the State paid interest regularly until 1915 to the State normal universities.⁴

The grants of the 16th section formed the primary basis for township school funds, which have played a significant part in financing common schools in Illinois. From 1831, when sales were first authorized by the legislature, until 1882 all but 8,513 acres of 16th section lands were sold, the sales yielding in the aggregate \$3,696,081, an

¹ Gasoline taxes were allocated to school purposes as follows:

August, 1934	.....	\$ 862,651
September, 1934	.....	900,551
October, 1934	.....	939,022
November, 1934	.....	865,121
December, 1934	.....	929,332
January, 1935	.....	860,620
February, 1935	.....	664,131
March, 1935	.....	632,828
Total	.....	\$6,654,256

² Cf. Table 18, *infra*.

³ Four and one-half sections were withheld from sale. In 1861 they were given to a private institution, Illinois Agricultural College, but some of the land was subsequently regained when the State sued to recover the trust fund because of mismanagement.

⁴ Payment of interest on the seminary fund, as well as on the college fund which was also borrowed by the State, was discontinued in 1915. See below, p. 70.

TABLE 17

LANDS GRANTS FROM THE FEDERAL GOVERNMENT TO STATE AND LOCAL GOVERNMENTS IN ILLINOIS, 1818-1936

Year of grant	Character and purpose	Extent (acres)	Disposition
1818	Sec. 16 of every township, for public schools	996,320	All excepting 8,513 acres were sold before 1882
1818	Endowment of a seminary (State)	46,080	Lands sold; proceeds borrowed by State; interest appropriated regularly until 1915
1818	Saline lands, for general State purposes	127,500 ¹	Leased; after 1830, sold. Proceeds for general State use.
1827	Right-of-way for Illinois and Michigan Canal; alternate sections 5 miles deep on each side of route	300,000 ²	Sold to finance canal. Right-of-way and some tracts still owned by State.
1841	Federal distribution law, for general State use	209,060	Mostly exchanged for State bonds and scrip, to reduce State debt.
1851	Unsold swamp and overflowed lands unfit for cultivation	1,459,708 ³	Given to counties for drainage, road, and school purposes.
1851	Subsidy for a central railroad	2,595,000	Given to Illinois Central Railroad Company
1862	Endowment for college	480,000	25,000 acres selected in Minnesota and Nebraska and later sold; scrip for remaining 455,000 acres sold without selecting the land. Proceeds to University of Illinois endowment.
All Federal land grants		6,213,668	

¹ Minimum estimate, based on the following figures reported to the legislature during 1837-1841: Gallatin County reserve, about 100,000 acres (92,474 acres were sold before 1841, but there was no survey showing the area still owned); Vermilion County saline, 24,869 acres; Big Muddy saline in Jackson County, 2,080 acres; Shoal Creek saline, Bond County, 640 acres. The total of the foregoing is 127,589 acres, and there were probably other small saline reservations.

² Approximate. In 1836 there were still unsold 277,543 acres of unplatted lands and 500 town lots.

³ Acreage received through 1926.

average of \$3.78 an acre. The value of the unsold acreage was estimated at the end of the period at \$2,625,610, and the aggregate principal of the township funds was \$8,019,000. The principal of the funds had been supplemented from other sources, including in at least 16 counties and probably in others, some of the proceeds of a swamp land grant of 1850. Comparable data for sales since 1882 are not available, but the report of the superintendent of public instruction shows that on June 30, 1934, the township funds had a principal value of \$46,368,000, including \$39,678,000 for lands and \$4,725,000 for real estate notes. The remainder was invested in bonds or held in cash. Almost seven-eighths of this endowment was reserved to the public schools of Chicago, where land values accounted for 95 per cent of the township fund, compared with 16 per cent Downstate. In Chicago the school district held a number of lots in the downtown section of the city, remnants of six square miles of 16th section which originally lay within the present limits of the city. The relative values of the holdings do not indicate that a larger proportion of the school lands was withheld from sales in Cook County than Downstate; they demonstrate only that the land which was retained underwent a vastly greater appreciation of value in Cook than in other counties.

A second gift from the national government upon the admission of Illinois to statehood comprised the saline lands. These had previously yielded rentals to the Federal treasury and the gift now made this income available to the State. The area of the salines is nowhere fully reported, but they covered more than 127,500 acres in Gallatin, Vermilion and some other counties.

In 1822 Congress granted to Illinois a right of way for the proposed Illinois and Michigan Canal. This grant was limited to a strip to be occupied by the canal and 90 feet on each side. Proposals for further Federal aid for the canal went unanswered and a proposal to divert to the project a school fund which was accumulating out of the proceeds of public land sales was rejected by Congress. Attempts to set up a private corporation to undertake the improvement were unsuccessful. In 1827 the central government finally granted enlarged support, consisting of alternate sections of land to a depth of five miles on each side of the proposed canal, provided that construction was begun within five years and completed in twenty years and that the canal should be toll-free to the United States government. The State found it difficult at this time to sell the land since there was an abundance of Federal land more advantageously situated with reference to existing transportation facilities which was offered at the same prices and on the same terms. In 1831 the national house of representatives rejected a proposal that the United States take back the unsold land in exchange for scrip at \$1.25 an acre, the scrip to be used in payment for the canal construction and to be receivable at the United States public land office. In 1833 the time limit for beginning work was extended five years. Actual construction of the canal was finally begun in 1836, with funds provided chiefly from a State bond issue. This was a year of speculative fever when, as Governor Ford described it, "lands and town lots were the chief article of export" from the flourishing new town of Chicago which had been platted by the canal commissioners in 1830. Subsequent sales of land and pledges of the remainder as security for bond issues made possible the eventual completion of the canal, which played a large part in the development and history of early Illinois.

The next important grant of lands from the Federal government comprised 209,060 acres, received from the central government under the distribution law of 1841, at a time when there was nation-wide controversy over proposals for distributing among the states either the public domain itself or the receipts from the sale of lands in the public domain. This land was used principally for retiring State debt by exchanging the land for internal improvement bonds and scrip.

The two largest grants in the history of the State were received under congressional acts of 1850. One comprised all the unsold swamp and overflowed lands which were not fit for cultivation. The grant was indefinite and new acreage might be added at any time to the lands claimed at the outset. The State auditor reported

in 1851 that there were in Illinois 1,833,413 acres of swamp land included in the public domain, but up to 1926 the State actually received 1,459,708 acres. Despite recommendations from the governor that the land should be sold and the proceeds invested in State indebtedness pending ultimate expenditure upon drainage projects, the legislature in 1852 bestowed the lands wholesale upon the counties in which they were situated for drainage, road and school purposes. This resulted in a very unequal distribution among the several counties, but a plea for re-examination of the subject appears to have gone unheeded. A grant of 2,595,000 acres was also received in 1850 as a subsidy for railroad purposes. The entire grant and an additional allotment of a right-of-way 200 feet wide over any State-owned lands which the line traversed was given to the newly incorporated Illinois Central Railroad Company. With the land was given complete and perpetual exemption from all taxation upon the charter lines, excepting a special tax upon gross receipts which has already been described.¹ Only one other Illinois railroad was given a grant of land,—the Terre Haute & Alton, to which the State in 1853 donated a small remnant of the old Internal Improvement System,—and no other Illinois railroad was given special treatment in taxation.

The last important gift of land from the national government was made in 1862, when scrip for 480,000 acres was given for the benefit of the State University under the Morrill Act for land-grant colleges. Most of this gift was converted into money by selling the scrip without selecting the tracts of land to be claimed by the State. Only 25,000 acres were located and retained for a time; these were not in Illinois, but in Minnesota and Nebraska, and they were soon sold.

Money grants—The earliest money grant from the national government was tantamount to a gift of an interest to the extent of 5 per cent in the national domain within Illinois. This was covered by a provision of the enabling act of 1818 which reserved to the State 5 per cent of the net profits from future land sales within Illinois by the Federal government. Two-fifths of this money was to be used under direction of Congress for making roads leading to the state and the remainder was to be used by the legislature for the encouragement of learning. Of the part to be devoted to education, the enabling act required that one-sixth (that is, one-half of one per cent of the net proceeds of land sales) was to be exclusively bestowed upon a college or university. Under this clause of the enabling act, Illinois received funds from the national government from time to time as land sales progressed. The last remittance was received during the Civil War.

Under a congressional act of 1836 providing for the deposit of Federal surplus revenue with the states, Illinois received three installments amounting to \$477,919. The fourth installment, which was to be the last, was never distributed, the panic of 1837 having

¹ See above, pp. 13, 44-5.

embarrassed the national treasury. This distribution of the Federal surplus was made ostensibly as a temporary deposit with the states, but it was generally treated at the time as an outright gift and has never been recalled. Of the amount received by Illinois, \$335,592 was added to the permanent educational trust funds of the State, but this was merely a book entry, as the money was actually invested in bank stock to be owned by the State. The remainder was applied to internal improvements.

During the Civil War the Illinois legislature embarked upon a large program of war expenditures, appropriations at a special session in April and May of 1861 amounting to \$3,550,000, against which a sale of \$2,000,000 of State bonds was authorized. In a sense these expenditures might be viewed as State aid to the national government, since they were essentially advances in order that the Union army might be placed promptly in the field. On the other hand, the reimbursement received from the Federal government might be viewed as Federal aid to the State, on the ground that the war expenditures were appropriately State expenditures. In any case, the policy of the central government of reimbursing the states upon audited claims resulted in reducing to a relatively small amount the ultimate burden actually borne by the Illinois State government. During 1861-66 the State paid out \$4,173,000 for all military purposes,¹ and was reimbursed by the central government during the same period to the extent of \$2,624,000. At various times other claims were allowed, the last one of more than a million dollars in 1901-2, bringing the total reimbursements to \$3,956,000. State expenditures for prosecuting the Spanish-American War were handled in the same manner, the State expending a total of \$1,003,000 for all military purposes during 1899-1900 and receiving reimbursements amounting to \$325,000 during 1901-1906. During the World War military activities were financed directly by the Federal government, and the State received no reimbursement for exceptional expenditures which the war entailed upon it.

Federal grants for the support of State institutions first appeared in 1887, when congress provided for annual payments to the State on account of the soldiers' and sailors' home maintained by it and for support of the State University. Payments for the benefit of the soldiers' home have varied with the number of residents and the cost of operation, the Federal government reimbursing the State for one-half the actual cost of maintenance annually since 1889.²

Beginning with the Hatch Act in 1887, the University of Illinois has been a beneficiary of ten separate continuing grants from the Federal government.³ The Hatch Act made available an annual grant of \$15,000 from the national treasury to the State University

¹ This total does not include \$233,000 for discount on war bonds. In claims presented to the central government in 1868, the State asked reimbursement for this item but the request appears to have been disallowed.

² From 1887 until 1889 the national government granted \$100 yearly for each disabled soldier or sailor admitted to any State home.

³ This includes the Smith-Hughes vocational education grants, which, however, pass through the State board for vocational education.

TABLE 18

CASH GRANTS¹ FROM THE UNITED STATES GOVERNMENT TO THE STATE AND LOCAL GOVERNMENTS OF ILLINOIS: BY DECADES, 1821-1936
(Amounts in thousands)

Decade	Total	Soldiers' and sailors' home ²	University of Illinois ³	Vocational education	Vocational rehabilitation	Highways	Other grants
1821-1830	\$ 31.0						\$ 31.0 ⁴
1831-1840	919.0						919.0 ⁴
1841-1850	132.1						132.1 ⁴
1851-1860	191.4						191.4 ⁴
1861-1870	34.2						34.2 ⁴
1871-1880	0						
1881-1890	156.2	\$ 111.2	\$ 45.0				
1891-1900	1,478.0	1,123.0	355.0				
1901-1910	2,009.2	1,534.3	474.9				
1911-1920	2,715.4	1,155.8	1,270.6	\$ 121.0		\$ 56.8	111.2 ⁵
1921-1930	44,594.2	1,740.4	3,325.7	3,103.0	\$ 504.2	35,870.2	50.7 ⁵
1931-1936 ⁶	332,399.8	1,089.1	2,835.4	2,711.8	575.8	50,976.0	274,211.7 ⁷
Total	\$384,660.5	\$ 6,753.8	\$ 8,306.6	\$ 5,935.8	\$ 1,080.0	\$ 86,903.0	\$ 275,681.3

¹ This table includes all grants and subventions but does not include reimbursements to the State for military expenditures in the Civil and Spanish wars.

² Includes also amounts received from United States veterans' bureau fund for the care of soldiers in state hospitals.

³ Includes grants received through the State treasury under the Morrill and Nelson acts, and grants received directly by the University under other congressional acts. Does not include grants for vocational education (1918 and later) and grants from the Federal emergency relief administration (1933-1936) since these are included in other columns.

⁴ Three per cent fund. In addition, these figures include some receipts from seminary lands granted by the Federal government, and, for the decade 1831-40, \$477,900 of surplus revenue which was nominally loaned but actually given to the State.

⁵ Social hygiene fund.

⁶ Notice that these figures are for a period of six years only. The data for 1931-1936 are subject to revision.

⁷ Other grants, 1931-1936, include—

Unemployment relief (through Illinois emergency relief commission)	\$260,662,200
Emergency public works grants to May 21, 1936, only.....	13,225,900
Federal re-employment service.....	255,200
Public health service.....	68,400
Total	\$274,211,700

Included in the unemployment relief grants, however, are \$12,252,000 borrowed from the Reconstruction Finance Corporation on Cook County bonds still held by the RFC.

The public works grants represent outright grants actually paid to Illinois governments through May 21, 1936. At this date outright grants of \$52,580,400 (including those paid) had been allotted to Illinois governments by the PWA. Loans from the PWA are not included in the table (but cf. *infra*, p. 66).

The re-employment service grants were received largely and the public health grant entirely in the fiscal year 1936.

for establishment and maintenance of an agricultural experiment station. The Morrill Supplementary Act of 1890 made available funds for the support of all branches of the University bearing upon industries. This act provided \$15,000 a year beginning at once and increasing by \$1,000 yearly to a maximum of \$25,000, which is the amount received in 1900 and every year since. The Adams Act of 1906 provided further funds for agricultural experiment stations, beginning with receipts of \$5,000 the first year and reaching a maximum of \$15,000 in 1911 and later years. The Nelson Act of 1907 made a grant beginning at \$5,000 in 1908 and rising by \$5,000 yearly until 1912, when it reached a fixed level of \$25,000 a year; this fund is available for the same purposes as the money received under the Morrill Act of 1890. The Smith-Lever Act of 1914 (revised in 1928)

set up the largest single subsidy received by the University from the Federal government. Under this law grants rose rapidly from \$10,000 in the first year, 1915, to an annual allowance of \$228,496 which was continued from 1923 through 1928; advanced to a peak of \$239,624 in 1929-1931, and declined to \$216,958 in 1935. The Smith-Lever grants are used for agricultural extension work in cooperation with the United States department of agriculture. The Purnell Act of 1925 provided an initial grant of \$20,000 rising to \$60,000 yearly, for further work in agriculture and home economics; the Capper-Ketcham Act of 1928 provided an initial grant of \$20,000, and subsequent grants of varying amounts up to \$40,000, for junior club work and home advisers; and the so-called "Additional Extension Act" of 1930 yielded from \$10,000 to \$27,800 yearly for further work in cooperation with the United States department of agriculture. Under all these acts the University received during its fiscal year 1935 approximately \$400,000¹—besides \$136,000 of Federal emergency relief funds and \$10,000 of vocational education funds which passed through accounts of other State agencies. In the fiscal year 1936 the Bankhead-Jones Act provided a new grant for further development of the cooperative extension system inaugurated under the Smith-Lever Act and also provided for progressive increases in the allotments under the Morrill Supplementary Act. This added \$290,874 to University receipts in the first year, bringing all Federal grants to the University in the fiscal year 1936 to \$720,375, exclusive of emergency relief funds and \$11,413 of vocational education funds.

Further assistance for education was offered by the national government in 1917, through the Smith-Hughes Act, which provided funds for matching State and local expenditures for vocational education. In Illinois the provisions of this act were accepted by the legislature in 1919 and a State board for vocational education was established to distribute the State and Federal subventions. The board operates principally through the State University and local schools.

In 1920 the national government made an additional subvention, under the Cook Act, for vocational rehabilitation; this was accepted by Illinois in 1921. The funds are administered for the State by the board for vocational education, which conducts some rehabilitation activities directly or pays tuition and other costs of sending disabled persons to technical schools. The objective has been to provide re-training for persons injured in industry or otherwise incapacitated and to place them in employment where they may be self-supporting.

Another Federal subvention under the Sheppard-Towner Act of 1921 was rejected by the legislature, so that Illinois was one among only three states that did not participate in this grant for child health and maternal hygiene work. Payments by the Federal government under the act ceased in 1929.

¹ Of this amount, however, only the \$50,000 received under the Morrill and Nelson acts passed through the State treasury. (In the fiscal year 1936 these grants were increased to \$70,000.) The other recurring subsidies were paid directly to the University treasurer by the treasurer of the United States.

The largest grant of Federal aid continuing over an extended period of years was for highway construction, inaugurated under the Federal Aid Road Act, passed by congress in July, 1916. This act made available \$3,300,000 for road construction in Illinois during the five years beginning July 1, 1916. Later congressional appropriations increased the annual grants available to the State, and Illinois has matched, and therefore claimed, practically all the aid allotted to it from time to time since 1916. Of approximately \$271,738,000 expended by the State for road construction from 1918 through 1930,¹ more than \$38,462,000, or 14 per cent, was financed from Federal aid funds. With the advent of economic depression the size of the annual grants was increased. In 1931 the State received \$10,063,500 in Federal highway aid, compared with \$4,089,900 in the preceding year. During the five calendar years 1931-1935 inclusive, the State treasury received \$44,768,200 in highway Federal aid funds. This provided for 34 per cent of all State highway outlays of the period.² In addition, the Federal government made large highway grants during 1933-1936 under the National Industrial Recovery Act and the Public Works Administration, and in 1935 and 1936 it made substantial allocations under the Works Progress Administration.³

In other fields also the economic depression brought about large grants of aid—the largest short-period grants from the national government to the states in the history of the Union. For the most part the grants were designed to assist in providing unemployment relief. In Illinois first receipts for this purpose from a Federal agency took the form of loans from the Reconstruction Finance Corporation, beginning in July, 1932. By March, 1933, the authorized credit of the State with the RFC, amounting to \$45,000,000, was exhausted. These loans were to have been reimbursed to the national government by deductions from future allotments of Federal aid for highway purposes, but the obligation of the states was remitted by the 73rd Congress, which changed the loans to outright grants. In May, 1933, the Federal Emergency Relief Act released new Federal funds as outright grants. During this period practically all relief funds expended in Illinois were obtained from the Federal government. At the end of 1933 the Federal civil works program, which was administered directly by agencies of the national government, reduced materially the load upon State and local resources for relief purposes. At the same time funds were becoming available from the State retailers' occupation tax and from some local taxes, so that dependence upon Federal grants for relief purposes declined temporarily. Following the abandonment of the civil works program early in 1934, monthly expenditures for relief purposes in Illinois were materially higher than in earlier periods. To some extent this was a result of increased market prices for food, clothing, and other objects of relief

¹ This aggregate, for calendar years, comprises all highway outlays including payments to local governments for roads on the State highway system, but it does not include local shares in the motor fuel tax revenues.

² Aggregate outlays of \$130,876,200 for the five calendar years include payments for construction by the State and for refunds to local governments on account of roads in the State system, but the total does not include local shares in motor fuel tax revenues.

³ See below, p. 66.

expenditure. More largely it reflected a diversification of the forms of relief—a change of policy by the State emergency relief commission, which at first concentrated upon direct relief and limited narrowly the forms of its assistance. Enlargement of the work relief program, increasing provision for resident non-family persons, aid for college students, and support of the emergency education program displaced direct relief in part and supplemented it in part. These developments in turn represented a raising of relief standards and a movement toward state-wide uniformity in relief procedures. From its organization date, February 6, 1932, through June 30, 1935, the Illinois emergency relief commission received an aggregate of \$291,028,000, of which \$55,444,000 were loans and grants from the R. F. C. (including a loan on behalf of Cook County rather than the State)¹ and \$160,749,000 from the Federal emergency relief administration. All Federal funds received by the State commission in this period amounted, therefore, to \$216,193,000, representing 74 per cent of receipts from all sources.² The remaining 26 per cent were derived from State bond issues, the retailers' occupation tax, and an appropriation from the State general revenue fund early in 1935.³

Other forms of Federal aid arose from efforts of the national administration to combat unemployment by prosecuting a program of public works. Highway development was especially stimulated. Under the National Recovery Act, Illinois was allotted in 1933 \$17,570,800 from an aggregate appropriation of \$400,000,000 for State highway work. In 1934 a second allotment of \$8,921,400 was added to the Illinois funds. Under the Recovery Act, Federal funds were available for the first time for highways off the regular Federal system and for extension of Federal roads in municipalities. Of \$26,492,200 thus made available, more than 38 per cent were designated for secondary roads, 36 per cent for municipal roads, and 26 per cent for Federal roads. This was entirely additional to grants of \$2,314,800 from the Federal emergency administration of public works (P. W. A.) during 1934 and 1935.

Grants by P. W. A. to the State division of highways comprised only a small part of the allotments to Illinois governments. To May 21, 1936, the P. W. A. made aggregate allotments of \$115,336,000 to Illinois—principally to local governments—comprising \$52,580,400 in outright grants and \$62,755,600 in loans upon marketable securities. Actual payments during this period were, of course, materially

¹ Originally the R. F. C. loans to the State were to have been repaid by withholding Federal aid road funds, but the obligation was cancelled by congress.

² Funds made available by local governments are not included; these are not reported by the relief commission in its *Monthly Bulletin on Relief Statistics* from which these data are taken, as the commission did not have responsibility for these funds comparable to its responsibility for Federal and State funds. However, other statistics compiled by the I. E. R. C. show that the amount of local funds was negligible, averaging only 2.2 per cent of all public relief expenditures in Illinois from April, 1933, through December 1935. The relative size of local contributions declined as relief expenditures mounted. From April, 1933, through June, 1934, local governments supplied 2.9 per cent of all Illinois public funds for relief; in the year ended June 30, 1935, they supplied 2.1 per cent; and in the last six months of 1935, 1.1 per cent.

³ From July 1, 1935, to April 30, 1936 (the latest date to which statistics are available), the State commission received grants of \$44,469,000 from the Federal government and \$23,334,000 from the State (comprising \$15,834,000 from the retailers' occupation tax and \$7,500,000 from general appropriations). Federal funds represented 66 per cent of all receipts during the 10 months (but cf. next preceding footnote).

smaller. Expenditures to the applicant to the same date were \$70,747,600, comprising outright grants of \$13,225,900 and advances of \$57,521,700 in loans.¹ Only the outright grants, of course, are properly to be counted as Federal aid.²

A further program of public works was inaugurated during 1935 under the supervision of the national works progress administration; this involved no direct grants to the State and local governments, although many of the projects were sponsored by such governments and of service to them. The scale of this program is suggested by the fact that the State division of highways alone was sponsor, at the close of 1935, for highway construction projects involving expenditures of \$8,694,000 and grade separation projects involving expenditures of \$10,307,000.

Large and continuing subventions were projected by the Social Security Act of 1935, which made provision for the following activities:

- (1) A system of old age assistance to be financed half by the Federal government and half by the states, either alone or with aid from local units;
- (2) A system of old-age insurance in which the state governments are not involved;
- (3) A system of unemployment compensation financed by Federal payroll taxes for which credits up to 90 per cent will be given to employers in states which impose similar taxes for the support of state systems of unemployment insurance;
- (4) A system of aid to dependent children, providing a much broader program than the existing Illinois system of mothers' pensions, and supported by the Federal government to the extent of one-third of the cost plus an allowance of 5 per cent for administrative expense; and
- (5) Federal subsidies for (a) promoting maternal and child health in rural areas and in areas suffering from severe economic distress, (b) services in similar districts for treatment and after-care of crippled children, (c) services for homeless, dependent and neglected children and children in danger of becoming delinquent, (d) vocational rehabilitation on an enlarged scale, (e) improved public health services, and (f) financial assistance to needy blind persons.

Excepting the Federal system of old-age insurance (item (2) above), most of the provisions of the Federal Social Security Act presuppose State legislation. Illinois had a system of mothers' pensions, services for crippled children and homeless, neglected, or potentially delinquent children, vocational rehabilitation, public health services on an advanced level, and blind pensions when the Social Security Act was passed, but the regulations to be formulated by Federal administrative agencies probably will require legislative or administrative changes in each field of activity. In addition, the Illinois general assembly had enacted in 1935 an old-age pension act. This was modified at a special session in December, 1935, to meet standards set up by the national social security board

¹ The data are from a letter from the assistant administrator of the Federal Emergency Administration of Public Works, May 23, 1936.

² The loans are not included in Table 18.

under the Federal act. Administrative arrangements were completed early in 1936, and the Illinois act was approved by the Federal board in July, 1936.

Grants from the State to Local Governments

During the first century of statehood payments by the State in aid of local governments were far more important fiscally than money grants from the Federal government to State and local units. From 1821 through 1920 local governments received \$105,900,000 from the State treasury, while the State received only \$7,700,000 from the national treasury.¹ During 1921-1930 State grants were only twice as great, in the aggregate, as Federal grants to the State. In 1931 grants by the State to local units constituted 18 per cent of all State payments and provided for 4.5 per cent of all the expenditures of local governments.² In the same year receipts from the Federal government equalled barely 1 per cent of all State and local expenditures in Illinois. The amounts distributed by the Federal government have risen sharply since 1931 so that they provide for a larger portion of State and local expenditures. In the four fiscal years 1931-1934³ Federal grants to Illinois surpassed State payments to the subdivisions. Receipts of the State and local units from the Federal government in this period were \$148,000,000⁴, compared with State payments to local units amounting to \$99,646,000.

Grants by the State to local units may take the form either of allotments from the general revenues of the State or of shares in dedicated sources of State revenue. Both types of payments have appeared in the history of State and local finances in Illinois.

Grants for education—Apart from a few small grants to specified counties, there were no grants from the State treasury to local units of government before 1835, when the policy was inaugurated of distributing annually the interest upon the permanent common school fund held in trust by the State. In the first free school law, adopted in 1825, provision had been made for a school distributive fund consisting of 2 per cent of all State receipts, plus five-sixths of the interest arising from the permanent school fund, but this provision was never operative and was repealed in 1829 when the State

¹ See Tables 18 and 19.

² These percentages are based principally upon the *Financial Statistics of State and Local Governments: 1931—Illinois*, published by the United States census bureau. It is not clear whether the bureau accounted completely for the counties' share of the motor fuel tax as a grant from the State, and the figures cannot be checked against official State reports. If the allotments of gasoline tax revenue are not included among State grants, both percentages would be materially increased by their inclusion.

³ Comparable data are not yet available for the full period 1931-1936.

⁴ Federal grants received in the fiscal years 1931 through 1934 were as follows (smoothed to nearest hundred dollars):

Soldiers' and sailors' home and care of veterans in State hospitals.....	\$ 676,900
University of Illinois (cf. Table 18, note ³).....	1,695,400
Vocational education	1,745,700
Vocational rehabilitation	357,100
Highways	27,977,100
Unemployment relief	106,807,300
Emergency public works grants actually paid.....	8,761,400
Federal re-employment service.....	15,800
 Total, 1931-1934	\$148,036,700

TABLE 19
STATE GRANTS TO LOCAL GOVERNMENTS: BY DECADES, 1821-1934
(Amounts in thousands of dollars)

Decade	Total	Schools ¹	Highways	Pensions for the blind	Mothers' pensions	County and district fairs	Circuit, superior and other local courts	Miscellaneous grants to counties
1821-1830	\$ 9.3	\$ 149.5						\$ 9.3
1831-1840	336.1	479.6						186.6 ²
1841-1850	519.1	3,985.6						2.5
1851-1860	4,222.6	7,976.7						1.0
1861-1870	8,491.3	10,372.1						1.3
1871-1880	11,752.0	10,683.1						11.8
1881-1890	12,592.3	12,959.4						
1891-1900	10,574.8	10,574.8						
1901-1910	13,629.8	10,577.5						
1911-1920	41,361.0	32,210.0						
1921-1930	95,409.4	74,249.23						
1931-1934 ⁴ (4 years)	99,645.9	38,401.63						
Total	\$ 300,928.2	\$ 199,659.7	\$ 66,621.7	\$ 3,838.3	\$ 1,408.0	\$ 4,329.3	\$ 24,858.7	\$ 212.5

¹ Includes special classes for crippled, defective, and delinquent children (aggregate, \$3,045,300).

² Includes approximately \$145,000 for local roads and bridges in connection with the State internal improvement system.

³ Includes vocational education distribution other than to the University of Illinois, as follows: 1911-1920, \$37,200 (approx.); 1921-1930, \$2,074,900; 1931-1934, \$828,200.

⁴ Comparable data for the fiscal years 1935 and 1936 are not yet available.

⁵ Includes motor fuel tax allotments, amounting to \$2,337,500. Part of the motor fuel tax allotments, amounting to \$42,735,800. Part of the motor fuel tax bond interest and retirement fund in the State treasury to cover county obligations on State guaranteed bonds. In addition, part of the motor fuel tax funds paid to the counties was used for relief rather than highway purposes. These figures do not include any motor fuel tax allotments to school purposes; such payments were not made until after June 30, 1934.

borrowed the educational trust funds to pay current expenses and postponed the payment of interest upon these funds. When the distribution of interest on the trust fund was begun in 1835, the principal of the fund amounted to less than \$150,000, so that the annual apportionment among the counties was less than \$9,000. With the increase of the principal as a result of receipts from the Federal government amounting to 3 per cent of the proceeds of public land sales in Illinois,¹ and the addition of part of the Federal surplus revenue of 1837 to the school fund, the educational trust funds upon which the State paid interest grew by 1864 to \$1,165,407 and have remained at this level since then. Of this aggregate amount of educational trust funds for which the State government stands responsible, \$948,955 represents the part belonging to the common school fund, upon which the State still distributes interest of \$57,000 annually. On the remainder, comprising \$156,613 dedicated as a permanent college fund, and \$59,839 dedicated as a permanent seminary fund, the State paid interest of 6 per cent to the Normal University and Southern Normal University until 1915. Since then there have been no appropriations to these universities specifically for interest upon the permanent endowments, but the amounts allotted to these schools under general appropriations are far in excess of the interest which might be claimed upon the endowment.

The grants of interest upon the permanent common school fund provided only a small percentage of the revenues necessary for the support of common schools. One of the principal innovations in the new school law adopted in 1855 was the introduction of an annual State tax for common school purposes, at the rate of two mills upon the assessed valuation of the entire State. The first year's yield of the two-mill tax was \$626,767, of which \$606,810 was immediately distributed to the counties, two-thirds, with the interest on the trust funds, in proportion to white minor population and one-third by area. In the aggregate this distributive fund was greater than all local tax levies for school purposes. On its face, there was a sectional distribution of the burdens and benefits, such as to indicate that the State distributive fund was accomplishing its intended purpose of helping to equalize the money available for schools throughout the State. Nevertheless, after the system had been in effect for little more than a year and only one distribution had been made, the State superintendent of public instruction—who had warmly recommended the system in 1855—felt constrained to suggest that the provision for apportionment be eliminated. In advocating the scheme of apportionment in 1855, the State superintendent had apparently assumed not only that the property tax was an ideal form of tax, but also that it was administered equitably. Collection and apportionment of the school tax provided a ready comparison between the contributions and the benefits of individual counties and made quite manifest the fact that there was gross injustice in the system of State taxation of property. In some quarters repeal of the State school tax was proposed. It was clear, however, that this would constitute only

¹ See above, p. 61.

a very partial remedy, since the evils complained of were present in the whole revenue system and were only more prominent in the case of the school tax by reason of its distribution among the counties. Furthermore, the repeal would constitute an abandonment of the free school system by the State, whereas it was neither the school system nor the basic idea of the property tax, but the unequal application of the tax, which aroused criticism. The State superintendent proposed that the two-mill State tax be paid over to the treasurer of the township in which the taxed property was situated, and that the interest upon the funds held in trust by the State should be apportioned among the counties in proportion to minor population. This proposed remedy was also attacked as a partial corrective, since it would leave unaffected the inequitable system by which other State revenues were raised, including the revenue for paying interest on the school, college and seminary funds, and since this remedy also would constitute an abandonment of the principle, established after long controversy, that the State should help to provide educational facilities conforming to certain minimum standards throughout its area. Moreover, in some respects the cure would be worse than the disease, for some sparsely settled townships which could support their schools comfortably out of the income of township funds would have no real need of the proceeds of the compulsory two-mill tax whereas other townships would have to struggle under heavy additional local taxes to support schools of equal quality. Despite wide discussion of the problem, there was not at this time any change in the major provision relating either to the collection of the two mill tax or the assessment of property. The establishment of a State board of equalization, to adjust assessments as between counties, was brought about in 1867 partly as a means for equalizing among the counties the burden of the two-mill school distributive fund tax.

The first important change affecting the distributive fund was the substitution in 1873 of an annual State levy of specified amount in place of the two-mill tax. At the time, this change was viewed largely as a formality designed to conform to the requirement of the Constitution of 1870, that no money should be drawn from the treasury "except in pursuance of an appropriation made by law."¹ The two-mill tax was yielding \$900,000 a year, and the legislature fixed the appropriation at \$1,000,000 a year for the first biennium. It was supposed that this amount would be increased as property assessments advanced. There was a sharp jump in assessments in 1873 under the new revenue law but thereafter they declined for a long period.² Meanwhile the general assembly continued to appropriate \$1,000,000 a year. Beginning about 1880 the State Teachers' Association and other organizations urged larger grants, but without success. In 1909 the State educational commission examined the subject and recommended a return to the two-mill levy, but the suggestion was not adopted. It served, however, to re-enforce the requests of the Teachers' Association for larger grants, which brought about

¹ Art. iv, sec. 17.

² See above, pp. 34-8.

increases of \$1,000,000 each at the legislative sessions of 1913 and 1915. In 1919 the appropriation was advanced by \$2,000,000 more and in 1921 by an additional like amount, so that in 1922 the distribution was \$8,000,000 a year. In 1929 it was raised to \$10,000,000 and in 1931 to \$10,500,000 a year. In 1935 the yearly appropriation was increased to \$13,000,000.

Distribution among the counties and among townships within each county before 1872 was made two-thirds on the basis of white minor population and one-third by area, with apportionment among the districts in each township one-half on the basis of white minor population and one-half by pupils' attendance.¹ When the flat annual appropriation was substituted for the two-mill tax in 1872, total population under 21 years was made the basis for the entire distribution among the counties and within the counties. The method of apportionment was changed in 1923 to comprise allowances based upon the number of teachers, teachers training, and pupils' attendance. In 1927 the system of apportionment was again changed to provide for an annual allowance based upon the number of pupils in average daily attendance and a special equalization grant designed to provide a fixed minimum amount for a given number of pupils or teachers. This is the system under which apportionments are now made.

The State apportionment to common schools was temporarily supplemented for an eight months period, from July 1, 1934 to March 1, 1935, by a grant of one-third of the net proceeds of the motor fuel tax. This was distributed for local school purposes, and constituted the first time in the history of the State that aid was given from the State treasury for high school purposes.² The regular distributive school fund never has been available for grades beyond the eighth.

For the purpose of financial assistance from the State, vocational training courses in the public schools receive special treatment. The policy of encouraging such work in the schools was adopted by the State in 1919 to take advantage of the subvention offered by the Federal government under the Smith-Hughes Act of 1917. Grants by the Federal government and by the State in turn to the local units are made under three heads, namely, for paying salaries of teachers, supervisors and directors in (1) agriculture and (2) home economics, trade, and industrial subjects, and for (3) teacher-training. Payments by the Federal government to the states are made only as reimbursement for previous expenditures and they are restricted to 50 per cent of the expenditures. Illinois, in company with most of the states, has spent for vocational education amounts substantially larger than could be matched from the congressional appropriation. The State board for vocational education has required local high schools participating in the distributive fund to match in their turn the aid received from Federal and State governments. The State government has not by itself matched, dollar for dollar, the

¹ From 1839 through 1872 one-fourth of one per cent (a 24th part of the entire interest) was diverted for the use of the State Institution for the Deaf and Dumb at Jacksonville.

² For the amounts allotted by months, cf. *supra*, p. 58, footnote ¹.

Federal grants, but has used some of the local expenditures as a means of qualifying for its full quota of the Federal fund.¹

In another field besides vocational education the State has assumed special financial responsibility for the public school program. This is in the provision of separate classes for delinquent and handicapped children. The policy was adopted in 1911 with provision for State grants to school districts conducting special classes for delinquent children and for deaf and dumb children and blind children. In 1923 similar provision was made for children who were physically crippled (other than those defective in hearing, speech, or sight), and in 1929 the earlier legislation was rewritten to cover those with defective hearing or vision as well as those already blind or deaf. Under these acts the State based its payments upon the difference between the cost of the special classes or schools and the cost of instructing "normal children" for a like period of attendance. There is a maximum limitation upon the amount of State aid for each child in each category.²

Highway grants—Aid for the construction of county highways was inaugurated under the act of 1913, as noted in the history of State motor vehicle revenues.³ When the State undertook its extensive building program, financed by bond issues, grants to the local units sank into the background. Direct State aid of the original type was practically discontinued, but the addition of section 15-d to the road and bridge law of 1913⁴ made it possible for counties to finance main-road improvements from borrowed funds without either foregoing the State aid which had been promised for these routes or waiting until the aid became available. This section authorized counties to anticipate their State aid allotments by using funds in the treasuries of the counties, townships, or road districts, by levying special taxes, or by issuing bonds. Under this amendment, which is still in force, a county may build at once a system of roads along the designated State-aid routes and then be reimbursed for half of the construction cost as the State allotments become available from time to time. The roads are taken over by the State immediately upon completion and are maintained in the same manner as other State-aid roads built from State and local funds currently available. With either type of State aid, half the total cost is borne by the State treasury and half by the local governments.

The amount of aid that has been given by the State is shown in Table 19, together with payments to counties and cities from motor fuel tax receipts.⁵ The distribution of the motor fuel tax is not State aid in the ordinary sense, since the amount received by each county is not determined by its immediate expenditure program nor is the use of the funds limited to main-road construction. The aggregate

¹ The State grants to local governments for vocational education are included with other grants for school purposes in Table 19.

² State grants for special classes in local schools are included with other grants for school purposes in Table 19.

³ Cf. *supra*, p. 53.

⁴ Section 15-d was added by *Laws 1915*, p. 599, and amended by *Laws 1917*, p. 714, and later acts.

⁵ Apportionments from the motor fuel tax are footnoted in the table.

amount available for distribution is determined by the yield of the tax; the apportionment is determined in the case of counties by the number of motor vehicles registered from the county, and, in the case of cities, by the population at the last preceding census.

Social welfare activities—In the field of social welfare the State grants aid to local governments for blind relief, mothers' pensions, unemployment relief, and, beginning in 1936, for old-age pensions.

In 1903 the legislature authorized the counties to pay a benefit of \$150 yearly to each adult blind person who had not more than \$250 income from other sources and was not a charge of any State, county or city charitable institution. Unwillingness of some counties to adopt the system led to legislation in 1915 making it mandatory to provide the full pension. This was followed by increases in the amount of the pension in 1923 and in 1927 to \$365 yearly. The act of 1927 imposed half the cost upon the State and provided for a special continuing state-wide property tax at a fixed rate of one-tenth mill upon the assessed valuation beginning in the tax year 1928. Administration was left entirely to the counties even after the inauguration of State aid. There was no supervision by any agency of the State. Each county board is authorized to submit annually to the State auditor a certified itemized statement of the pension payments. The auditor, if satisfied with its correctness, is required to draw his warrant to the county for half the amount shown. Although the law is mandatory, there were in 1933 some counties which had not adopted the law, or had at one time adopted it and later discontinued it. A survey by the department of public welfare in 1932-33 indicated that in downstate counties nearly eighty in every one hundred blind persons were receiving pensions. In Cook County the percentage appears to have been smaller. Aggregate payments of \$990,577 by the State in the fiscal year 1932 signify that payments were made to at least 5,400 persons. In the fiscal year 1934 State payments for blind relief had declined to \$667,533, representing maximum pension payments to at least 3,700 persons. The decline probably resulted from the transfer of some blind pensioners to emergency relief rolls. Since the discontinuance of the State levy upon property, State aid for blind pensions has been financed from the retailers' occupation tax.

Illinois adopted in 1911 the first state-wide mothers' pension legislation in the United States. Embodied in a brief amendment to the Juvenile Court Act, the law authorized the judge of the juvenile court to make cash grants to parents who were unable to provide for their children. A revision of the law in 1913 restricted the allowance to destitute widows who had children under 14 years of age and could prove citizenship and three years' residence in the county. Later amendments broadened the class of beneficiaries and advanced the admissible age limit of the children. Until 1929 the funds for paying mothers' pensions came entirely from the county treasuries. Adoption of the pension system in any Illinois county depended upon approval by both the judge of the juvenile court and the county board, although either of these alone could nullify

the measure,—the judge by granting no pensions, the board by failing to make appropriations for their payment. In 1915 there were 30 counties which were not operating under the law; in 1930 there were 8. Whereas some counties refused to give pensions, others paid them to ineligible families, and there was great diversity in administration. Repeated proposals for State aid and State supervision led finally in 1929 to the enactment of a law charging the State department of public welfare with the distribution of \$250,000 a year during the next biennium among counties giving mothers' pensions. In 1931, in accordance with recommendations by a State committee on child welfare legislation, the appropriation was doubled and the basis of apportionment prescribed by law. Like the State school distributive fund, the mothers' aid allotment was divided into two parts, one to be distributed among the counties in fixed appropriations and the other according "to their needs and their financial ability to meet such needs." Aggregate aid was limited, as in the act of 1929, to half the mothers' pension payments of any county. In 1933 the fixed shares of the counties were increased and the equalization fund reduced, and the rule restricting the allowance to 50 per cent of the expenditures within each county was modified to apply only to the basic apportionment; the equalization fund might raise the grant of State aid above half of the actual expenditures.

Borrowings by the State

Although the State government began by borrowing \$25,000 for general operating expenses, and issued \$300,000 in paper money in 1821 as a means of providing the community with a monetary medium, its first large scale borrowing occurred in the middle 1830's when it embarked upon the Illinois and Michigan Canal project and an extensive internal improvement system. Between 1836 and 1843 there was built up a State debt of approximately \$14,000,000, part of it balanced by bank stock owned by the State, part offset by the canal and internal improvement lands, part invested in uncompleted works, and the remainder representing unpaid accrued interest. Repayment of this debt required nearly forty years, partly however because most of the bond issues did not mature until 1870. It involved resort to the general property tax, which was supplemented by the Illinois Central charter tax and other revenues. The rapid growth of population and exploitation of the natural resources of the State lightened the burden of repayment, so that by 1853 the outstanding debt was looked upon as a load which could easily be carried without any increase in the current rates of taxation. Until 1856, however, the State paid only part of the interest which became due each year, and left the remainder to swell the earlier accumulation of interest arrears. Before 1860 practically all the past due interest was funded and repayment was going forward rapidly.

Apart from occasional small borrowings by the trustees of particular State institutions, the State did not again incur any debt until the beginning of the Civil War, when it sold an emergency

TABLE 20
STATE BORROWINGS, DEBT REPAYMENTS, AND OUTSTANDING OBLIGATIONS, BY FOUR-YEAR INTERVALS:¹ 1819-1936
(Amounts in thousands)

4-year period	Amount borrowed	Amount repaid	Debt outstanding at end of period		
			Total	To be repaid	Nominal, non-maturing debt ²
1819-22	\$ 325.0	\$ 25.0	\$ 300.0	\$ 300.0 ³	0
1823-26	0	110.3	189.7	189.7 ³	0
1827-30	22.0	39.7	172.0	150.0 ³	\$ 22.0
1831-34	245.6	246.7	170.9	113.2	57.7
1835-38	6,880.3	7.6	7,043.5	6,323.7	719.8
1839-42	7,377.6	304.3	14,116.8	13,308.7	808.1
1843-46	4,145.3	2,956.2	15,305.9	14,435.7	870.2
1847-50	203.0	144.5	15,364.4	14,424.6	939.8
1851-54	16.9	1,229.2	14,152.1	13,195.3	956.8
1855-58	104.8	2,577.9	11,679.0	10,617.4	1,061.6
1859-62	2,153.6	1,587.6	12,244.9	11,079.8	1,165.1
1863-66	0.3	3,095.3	9,149.9	7,984.5	1,165.4
1867-70	50.0	3,221.3	5,978.6	4,813.2	1,165.4
1871-74	3,287.3	6,366.0	2,899.8	1,734.4	1,165.4
1875-78	141.7	1,024.8	2,016.8	851.4	1,165.4
1879-82	0	827.8	1,189.0	23.6	1,165.4
1883-86	0	0	1,189.0	23.6	1,165.4
1887-90	0	4.1	1,184.9	19.5	1,165.4
1891-94	0	1.0	1,183.9	18.5	1,165.4
1895-98	711.7	250.0	1,645.6	18.5	1,627.1
1899-1902	138.0	0	1,783.7	18.5	1,765.2
1903-06	36.8	1.0	1,819.5	17.5	1,802.0
1907-10	11.4	0	1,831.0	17.5	1,813.5
1911-14	0.3	0	1,831.3	17.5	1,813.8
1915-18	0.6	0	1,831.9	17.5	1,814.4
1919-22	11,000.0	0	12,831.9	11,017.5	1,814.4
1923-26	133,000.0	4,923.0	140,908.9	139,094.5	1,814.4
1927-30	77,000.0	15,615.0	202,293.9	200,479.5	1,814.4
1931-34	64,350.0	43,501.5	223,142.4	221,328.0	1,814.4
1935-36 ⁴	32,500.0	40,467.5	215,174.9	213,360.5	1,814.4
Total	\$ 343,702.2	\$ 128,527.3	\$ 215,174.9	\$ 213,360.5	\$ 1,814.4

¹ Figures for the years from 1835 to 1850 are based in part upon arbitrary adjustments of the accounts. They are subject to revision on the basis of further research.

² I. e., debt to public trust funds on account of receipts used to finance State operations or, in the case of the University of Illinois endowment fund, receipts lost through defalcation by a custodian.

³ Notes issued by a State-owned bank and lent to residents upon their promissory notes.

⁴ Notice that these figures are for a two-year period only.

bond issue of \$2,000,000 for war purposes, and, in addition, a special revenue deficit bond issue of \$50,000. This debt was repaid without difficulty during the next decade. In 1871, at the time of the great Chicago fire, the State issued \$250,000 of revenue deficit notes and used these as part payment upon its obligations to the city for improvements upon the Illinois and Michigan canal. This issue of notes made funds available immediately to the distressed city; it was redeemed by the State within two years.

By 1882 substantially all the outstanding State debt had been retired, only \$23,600 of old bonds remaining unpaid. During the next thirty years some of these bonds were presented for payment from time to time so that the outstanding State debt was gradually reduced to \$17,500. The only State borrowing during this long interval, excepting for occasional short-term borrowings by trustees of particular State institutions in anticipation of their receipts from the State treasury, was an issue of \$250,000 of revenue deficit notes in 1898, repaid in the same year.

Excepting for \$17,500 of old bonds still outstanding, which may never be presented for redemption, all the present State debt has been accumulated since the World War. It included as of July 1, 1936, the following amounts authorized in the years and for the purposes indicated:

Waterway bonds (1908).....	\$ 4,003,000
Highway bonds (1918 and 1924).....	133,649,000
Soldiers' Compensation bonds (1922).....	29,246,000
Emergency Relief bonds (1932 and 1934).....	46,400,000
Emergency Relief notes (1932 and 1934).....	45,000
Old bonds never presented	17,500
 Total	 \$213,360,500

The foregoing figures are entirely for bonded debt, with the exception of the item of \$45,000 for emergency relief notes, which represents the remainder outstanding upon a short-term issue which had been called for redemption. These notes no longer bear interest.¹

Apart from these notes the State has no short-term debt other than for current accounts payable built up in the ordinary course of day-to-day transactions. Since 1848 there has been a constitutional prohibition upon the issuance of State auditor's warrants—checks against the treasurer—unless there is money in the treasury at the time available for redeeming the warrants. Consequently, the only warrants in circulation at any time since 1848 have been those in process of payment. Before 1848 the issuance of auditor's warrants to creditors of the State was sometimes a device for short-term borrowing, and until 1843 the warrants bore interest during the period between their issuance and their redemption. Since 1843,

¹ Interest accrued on these outstanding notes to the call dates was \$2,124. This is not included in the aggregate debt stated in the text.

TABLE 21
STATE BORROWINGS, BY PURPOSE: 1922-1936
(Amounts in thousands)

Fiscal year	Total borrowed ¹	Highway	Waterway	Soldiers' compensation	Emergency relief ²
1922	\$ 11,000.0	\$ 11,000.0			
1923	12,340.0	12,140.0		\$ 200.0	
1924	77,913.3	27,860.0		50,053.3	
1925	27,737.8	23,000.0		4,737.8	
1926	15,008.9	15,000.0		8.9	
1927	6,000.0	6,000.0			
1928	13,000.0	13,000.0			
1929	41,060.0	39,000.0	\$ 2,060.0		
1930	16,940.0	11,000.0	5,940.0		
1931	1,000.0		1,000.0		
1932	18,175.0 ³				\$ 17,575.0
1933	24,175.0	2,000.0	1,000.0		21,175.0
1934	21,000.0		1,000.0		20,000.0
1935	36,000.0				36,000.0
1936	0				
Total	\$ 321,350.0 ⁴	\$ 160,000.0	\$ 11,000.0	\$ 55,000.0	\$ 94,750.0 ²

¹ Borrowings shown in this table represent the face value of the obligations issued, without regard to premiums or accrued interest received or discounts upon the sale of bonds.

² Borrowings shown for emergency relief include a double counting to the extent of \$44,750,000, because of the issuance and funding of short-term notes. These note-issues comprised \$17,575,000 in 1932; \$1,175,000 in 1933; \$20,000,000 in 1934; and \$6,000,000 in 1935. The remaining \$50,000,000 of emergency relief borrowings represent the bonds which replaced the notes.

³ Includes \$600,000 University of Illinois tax anticipation notes sold to banks.

⁴ See notes 2 and 3.

however, the State has never paid interest on auditor's warrants. In this respect its practice has been in contrast with that of many local governments, which still use warrants or orders as a device for short-term borrowing and pay interest thereon.

Also in contrast with the practice of local governments, the State government did not during its first century issue tax anticipation warrants at any time. The practice of issuing such warrants was first employed by the State in 1932, when delays in tax collections in Cook County left the State treasury short of funds. Under an act passed by the legislature in 1931, the warrants were issued whenever the governor, treasurer, and auditor deemed this action necessary. Despite the constitutional stipulation that the State should contract no debts beyond \$250,000 without referendum, the validity of this act was upheld by the State Supreme Court in a decision following a long line of earlier cases in Illinois and other states, in which the tax anticipation warrants of municipal governments were held not to create a debt. A tax anticipation warrant, the court ruled, is an assignment of taxes levied and which are, in legal contemplation, assets of the State. The warrant creates no other liability and makes no other pledge, and the State is under no obligation to repay the borrowed money if the pledged taxes prove insufficient or uncollectible.¹ While the court test was in process, the statute authorizing

¹ People v. Nelson, 344 Ill. 44 (1931). Cf. the decision in Berman v. Board of Education of Chicago, 360 Ill. 535 (1935).

issuance of anticipation warrants was amended to provide that a balance available in any treasury fund and not needed for current expenditure might be invested in the anticipation notes of any other fund. This made it possible to postpone for more than a year the sale of tax warrants outside the treasury. When an installment of principal and interest of soldiers' compensation bonds fell due in August, 1931, the balance in the treasury fund for this purpose was inadequate. The treasurer drew upon the resources of the motor fuel tax fund to the extent of \$2,800,000, depositing tax anticipation warrants in place of the borrowed funds. Similar transactions were carried on from time to time in succeeding months, until the maximum amount of inter-fund borrowing by means of tax anticipation warrants was reached in April, 1933, at \$14,340,000. By July 1, 1936, the amount of these inter-fund obligations had been reduced to \$815,000. The first sale of tax notes outside the treasury occurred in May, 1932, when \$600,000 of 6 per cent warrants were sold on behalf of the University of Illinois fund. Within a month \$200,000 of these notes were retired and the remaining \$400,000 were retired before the end of 1932. The only other sales of tax anticipation warrants outside the treasury have been for purposes of emergency relief. The first issue of emergency relief notes, amounting to \$18,750,000, was sold between February and August, 1932, and the second issue of \$28,500,000 was sold during 1934. Each of these two issues was in anticipation of a property tax levy which was dispensed with when the issuance of State bonds was authorized by the electorate as a means of funding the notes. The bonds, amounting to \$20,000,000 in the first case and \$30,000,000 in the second case, are guaranteed by the State but are not direct and immediate obligations of the State treasury. They are repayable out of the distributive shares of the motor fuel tax accruing to those counties which used the borrowed money for unemployment relief purposes, and only in the event that these gasoline tax proceeds in any year are insufficient for paying interest and principal upon the bonds will the State be obliged to meet the debt from its own revenues.

Borrowings by Local Governments

Data for a history of borrowing by local governments in Illinois are even less adequate than for a history of local revenue receipts. In the case of revenues, it is at least possible to compile yearly figures showing the amounts of the property tax levies of all local units and to obtain long-term series representing the receipts of particular local governments. In the case of borrowings, however, there is no source from which to obtain any comprehensive figures on aggregate outstanding debt excepting for a few scattered years or for one particular class of government—that is, school districts, the data for which have been collected annually over a long period by the superintendent of public instruction.

The magnitude of the problem may be indicated by the outstanding gross debt of local governments in Illinois in 1931, as reported by the United States census bureau in the most complete compilation

which has been made at any time in the history of the State. This showed an aggregate gross debt of all local units amounting to \$1,079,281,000, against which various units had sinking fund assets amounting to \$10,141,000. The gross debt comprised the following classes:

Funded debt, consisting of all long term bonds and serial bonds and notes, excepting those to be paid from special assessments against benefited property.....	\$ 593,872,000
Special assessment loans	203,337,000
All other debt, including revenue loans, interest-bearing warrants, other short-term obligations to be paid from current tax receipts or from taxes levied in the year of issue, unpaid warrants or orders upon the treasury, and all other classes of indebtedness.....	282,072,000
 Total	 \$1,079,281,000

The aggregate amount of the gross debt less sinking fund assets as reported by the bureau of the census represent an eight-fold increase during the nineteen years from 1912 to 1931 and a trebling of the debt in the nine years from 1922 to 1931. The aggregate amount of the outstanding debt, less sinking fund assets, in each of these years for each category of government is shown in Table 22, which shows also the percentage of increase in the intervening periods. From this table it is evident that the largest increase, in terms of amounts, was in the case of cities, towns, and villages, whose aggregate gross debt less sinking fund assets advanced from something less than \$114,000,000¹ in 1912 to more than \$490,218,000 in 1931. This accounted for 40 per cent of the aggregate increase in all local government debts during the period. In terms of percentage increase, however, by far the greatest advance occurred in the case of school districts and other special purpose districts. The correct percentage for school districts cannot be determined for the period 1912-1931 from the data as given in Table 22²; in the case of other special purpose districts the increase in the aggregate debt was nearly sixty-fold from 1912-1931. Between 1922 and 1931 the indebtedness of school districts did not increase at so rapid a rate as that of other special purpose governments. School district debt advanced in the aggregate by 114 per cent from 1922 to 1931 whereas the indebtedness of other special districts advanced in the same period by 439 per cent. The gross debt of cities, towns, and villages increased by 186 per cent from 1922 to 1931, and that of counties increased by 164 per cent. By far the largest part of the increase of local government debt occurred in Cook County, where the aggregate in 1931 was almost nine times as great as in 1912 and three and one-half times as great as in 1922. In all the remaining counties of Illinois, the aggregate debt of local governments in 1931 was slightly more than five times as great as in 1912 and less than twice as great as in 1922.

¹ The aggregate of \$114,455,000 shown in the table includes some school district debt. See footnote ² of the table.

² For the reason see footnote ² of the table.

TABLE 22

AGGREGATE INDEBTEDNESS, LESS SINKING FUND ASSETS, OF EACH CLASS OF LOCAL GOVERNMENTS IN ILLINOIS, AS REPORTED BY THE BUREAU OF THE CENSUS:¹ 1931, 1922, AND 1912

Class of government	Amount, in thousands			Percentage increase	
	1931	1922	1912	1922 to 1931	1912 to 1922
Entire State—total	\$ 1,069,140	\$ 356,139	\$ 137,208	205%	155%
Counties	75,717	28,632	11,555	164	148
Cities, towns, villages	490,218	171,283	114,455 ²	186	50
School districts	189,154	88,361	4,311 ²	114	1950 ²
Townships	10,054	5,462	1,698	84	222
Other civil divisions	303,997	56,401	5,189	439	987
Cook County—total	869,562	248,003	99,194	251	150
County	62,441		9,829		
Cities, towns, villages	394,659				
School districts	139,711		757 ²		
Townships	80				
Other civil divisions	272,671				
Downstate—total	199,578	102,136	38,014	95	169
Counties	13,276		1,726		
Cities, towns, villages	95,559				
School districts	49,443		3,554 ²		
Townships	9,974				
Other civil divisions	31,326				

¹ Data from *Financial Statistics of State and Local Governments: 1931—Illinois* (pamphlet preprint; 1934), Table 7. Blanks signify a lack of information.

² Debt in 1912 on account of schools in cities, towns and villages with a population of 2,500 and over is included with city, town, or village liabilities, so that the amount of \$4,311,000 shown for school districts is an understatement and the amount of \$114,455,000 shown for cities, towns, and villages is an overstatement compared with the figures for those classes of governments in later years.

Conclusion

Among recent developments affecting the leading sources of State and local revenue, the precipitate growth of Federal aids and the more gradual but no less pronounced growth of State aids are definitely outstanding. Although some of the Federal grants were temporary incidents of depression, there is every indication that the aggregate of State and local receipts from the national treasury will continue at a higher level than prevailed before 1930. The social security legislation of 1935 will itself lead to such a development, and there is no reason to suppose that the necessity for grants or for shared-revenues has been exhausted.

As between the State and local governments, legal and administrative relationships are so much more intimate than between the states and the Federal government, that dependence upon State-administered revenues for financing local activities may be expected to continue and expand. In consequence of greater adaptability and wider geographic scope, the State government is better able than local governments to undertake operations for which territorial uni-

formity and widespread jurisdiction are important. Collection of revenues is one of these operations. Moreover, it is an activity in which the State, though under constitutional inhibitions, is much freer to act than local governments.

Local governments are compelled by Constitution, statute, and the necessities of administrative efficiency to depend for their revenues upon general property taxes, special assessments, licenses, fees, and a few other minor sources, supplemented by whatever grants they can get from the State and Federal governments. The State, under the present Constitution, has available to it all but two of the leading forms of taxation employed by state and local governments in the United States. The exceptions are classified property taxes and personal net income taxes. Were constitutional change obtainable, the classification of property would eliminate some of the operative defects of the general property tax and perhaps overcome some of its doctrinal weaknesses, renewing in some measure the financial independence of local governments. But if the current movement persists toward substitution of other forms of taxation for taxes on property generally, it still will be necessary for local governments to derive some of their revenue from other sources.

Practically every alternative source presents geographical complexities which destroy the possibility of successful administration by local governments. Gross income taxes, whether applied to such income generally or to income only from commodity sales, as in the retailers' occupation tax or still more specifically in the gasoline tax, require for their effective administration an agency with jurisdiction over a large area. So with business taxes of various kinds, whether based on net income or other attributes of corporations, partnerships, and individually owned enterprises. So, also, with inheritance and estate taxes, and with the personal net income tax if it becomes constitutionally available. Even in the case of the general property tax itself there has been some tendency toward centralized administration and the Tax Commission has advocated further centralization on grounds of efficiency and uniformity of application. The desirability of such development is borne out by the experience of other states.

State assessment and collection of revenues does not necessarily involve their expenditure by the State, as the mere existence of a system of State aids to local units clearly demonstrates. Such aids and shared revenues have not been as important a source of local government funds in Illinois as in some other states, such as New York, Massachusetts, and Wisconsin. Nevertheless they have been an appreciable factor in the financing of a few fields of activity in this State and there are reasons for expecting that the system will be further developed.

Revenues collected by the State can be granted to the local governments either for application to specified uses or without restriction. In the past the legislature has been inclined either to

transfer functions to the State or to insist upon a measure of State supervision in return for grants. There is every indication that such tendencies will persist, although the supervision provided in some fields may be wholly nominal (as in the case of blind pensions¹). The only important recent step in an opposite direction is the grant of sales tax funds for unemployment relief accompanied by practically complete elimination of State supervision over the use of the funds. Even in this instance some local governments are required to levy a specified rate of tax for unemployment relief before they can qualify for State funds. Moreover, the legislature has never—with the exception of a short period more than a century ago—given local governments a share in State revenues without designating the field of expenditure. There has been, in fact, no organized demand for State-administered revenues to be available, without limitation as to use, for all authorized services of local governments.

Consistent use of restricted grants may result from a desire of legislators to narrow the search for formulae of apportionment. When allotment is for specific purpose, such as highways, schools, or mothers' aid, the distribution is usually limited, in some measure at least, by the purpose itself; but when the use is unspecified the alternative bases of apportionment are many times more numerous. It becomes simpler to impose restrictions or to transfer administration to the State itself.

In any case, if the volume of payments from the State treasury to local governments continues to grow, it will provide materially increased relief to property taxpayers as compared with other classes of taxpayers by compelling further resort to other sources of revenue.² There is, however, no guarantee that the remodeled revenue system will be more equitable than that which was inherited from the nineteenth century. Much depends upon the forms in which its evolution is embodied and upon the character of the services to which the revenues are devoted.

¹ See above, p. 74.

² This does not mean that the aggregate of property taxes will necessarily be decreased, but means only that taxes on property may be expected, under the conditions indicated, to provide a smaller percentage of all governmental revenues than they have provided in the past.

TABLE 23

STATE PROPERTY TAX RATES BY TREASURY FUNDS: 1839-1932¹(In cents on each \$100 of equalized assessed valuation²)

Tax year	Aggregate State rate	Ordinary revenue	Distributive school fund	Interest fund	Debt fund	All other
1839	20	20				
1840	20	20				
1841	30	20		10		
1842	15	15				
1843	20	20				
1844	20	20				
1845	30	20		10		
1846	35	20		15		
1847	37	20		15		02 ³
1848	37	20		15		02 ³
1849	58	20		15	20	03 ⁴
1850	58	20		15	20	03 ⁴
1851	60 $\frac{1}{3}$	20		15	20	05 $\frac{1}{3}$ ⁵
1852	60 $\frac{1}{3}$	20		15	20	05 $\frac{1}{3}$ ⁵
1853	49 $\frac{1}{3}$	10		15	20	04 $\frac{1}{3}$ ⁶
1854	49 $\frac{1}{3}$	10		15	20	04 $\frac{1}{3}$ ⁶
1855	67	12	20	15	20	
1856	67	12	20	15	20	
1857	67	12	20	15	20	
1858	67	12	20	15	20	
1859	67	12	20	15	20	
1860	67	12	20	15	20	
1861	45 ⁷	05	20	15 ⁷		05 ⁸
1862	45 ⁷	05	20	15		05 ⁸
1863	72	12	20	15	20	05 ⁸
1864	72	12	20	15	20	05 ⁸
1865	72	12	20	15	20	05 ⁸
1866	70	12	20	15	20	03 ⁹
1867	77	25	20	12	20	
1868	65	15	20	10	20	
1869	130	80	20	10	20	
1870	65	25	20		20	
1871	90	55	20			01. 5 ⁹
1872	75	35. 3	20	04. 7		01. 5 ⁹
1873	29 ¹⁰	20. 7 ¹¹	08. 3 ¹¹			
1874	24	14. 4	09. 6			
1875	30	19	11			
1876	28	16. 8	11. 2			
1877	36	23. 5	12			00. 5 ¹²
1878	33	19. 5	13			00. 5 ¹²
1879	27	16	10			01 ¹²
1880	36	21	14			01 ¹²
1881	48	35	12			01 ¹²
1882	36	21	14			01 ¹²
1883	32	20	12			
1884	35	21	14			
1885	42	28	14			
1886	35	21	14			
1887	53	39	14			
1888	44	30	14			
1889	38	24	14			
1890	36	22. 5	13. 5			
1891	33	20	13			
1892	31	18. 5	12. 5			
1893	31	18. 5	12. 5			
1894	31	18. 5	12. 5			
1895	52	39	13			

TABLE 23

STATE PROPERTY TAX RATES BY TREASURY FUNDS: 1839-1932¹—
Concluded.(In cents on each \$100 of equalized assessed valuation²)

Tax year	Aggregate State rate	Ordinary revenue	Distributive school fund	Interest fund	Debt fund	All other
1896	55	41.25	13.75			
1897	66	52	14			
1898	56	42	14			
1899	42	30.8	11.2			
1900	50	36.8	13.2			
1901	50	38.8	11.2			
1902	40	28.8	11.2			
1903	52	40.8	11.2			
1904	55	45	10			
1905	50	40	10	University of Illinois fund	Waterway bond fund	
1906	50	40	10			
1907	50	42	08			
1908	50	42 ¹³	08 ¹³			
1909	35	29	06			
1910	30	25 ¹⁴	05 ¹⁴			
1911	35	26.2	08.8			
1912	38	19	09	10		
1913	70	47	13	10		
1914	48	25.3	12.7	10		
1915	55	28.25	16.25	10	00.5	
1916	80	53.25	16.25	10	00.5	
1917	90	63.75	15.75	10	00.5	
1918	75	47	18	10		
1919	40	14	16 $\frac{1}{3}$	06 $\frac{2}{3}$	03	
1920	40	16 $\frac{1}{3}$	14.5	06 $\frac{2}{3}$	02.5	
1921	45	15 $\frac{1}{3}$	20 $\frac{1}{3}$	06 $\frac{2}{3}$	02 $\frac{2}{3}$	
1922	45	14 $\frac{2}{3}$	21	06 $\frac{2}{3}$	02 $\frac{2}{3}$	
1923	50	09 $\frac{2}{3}$	21 $\frac{1}{3}$	06 $\frac{2}{3}$	02 $\frac{1}{3}$	10 ¹⁵
1924	65	24	21 $\frac{2}{3}$	06 $\frac{2}{3}$	02 $\frac{2}{3}$	10 ¹⁵
1925	85	45	19 $\frac{2}{3}$	06 $\frac{2}{3}$	02 $\frac{2}{3}$	11 ¹⁵
1926	65	26.5	19	06 $\frac{2}{3}$	02 $\frac{1}{3}$	10.5 ¹⁵
1927	30	09	10	03 $\frac{1}{3}$	01 $\frac{1}{3}$	06 $\frac{1}{3}$ ¹⁶
1928	30	09	10	03 $\frac{1}{3}$	01 $\frac{1}{3}$	06 $\frac{1}{3}$ ¹⁶
1929	39	15	12.5	03 $\frac{1}{3}$	01 $\frac{2}{3}$	06 $\frac{1}{2}$ ¹⁶
1930	39	15	12.5	03 $\frac{1}{3}$	01 $\frac{2}{3}$	06 $\frac{1}{2}$ ¹⁶
1931	39	14	13.5	03 $\frac{1}{3}$	01 $\frac{2}{3}$	06 $\frac{1}{2}$ ¹⁶
1932	50	21	16	03 $\frac{1}{3}$	02 $\frac{1}{3}$	07 $\frac{1}{3}$ ¹⁶

¹ Rates for 1839-1872, inclusive, follow Haig, *op. cit.*, p. 123, with corrections as noted; rates for later years from reports of the auditor of public accounts (1912 from the governor's biennial message). There was no State levy on property after 1932.

² Beginning in 1867 the State rate was applied to assessed valuation as equalized by the State board of equalization. Assessed values, whether equalized or not, were always far below full cash value; moreover, from 1899-1908, inclusive, the legal assessment ratio was one-fifth of full value; from 1909-1918, inclusive, one-third, and from 1919-1926, inclusive, one-half.

³ Insane hospital tax.

⁴ Insane hospital tax, 2 cents, and blind institution tax, 1 cent.

⁵ Insane hospital tax, 3 $\frac{1}{3}$ cents, and blind institution tax, 2 cents.

⁶ Insane hospital tax, 3 $\frac{1}{3}$ cents, and blind institution tax, 1 cent.

⁷ For 1861 and 1862 Haig, *op. cit.* p. 123, shows an aggregate State rate of 40 cents. However, he shows no rate for the revenue fund, for which 5 cents should be added (*Laws 1861*, p. 208). On the other hand, he shows the interest tax of 15 cents in both years, whereas *Laws 1861*, p. 204, authorizing this levy was not effective until January 1, 1862. That this rate was extended in 1861 as well as 1862 is suggested by the fact that State taxes charged, including some back taxes, were equivalent to a rate of 48.9 cents on assessments of 1861 and 48.6 cents on assessments of 1862 (based on data in Auditor of Public Accounts, *Biennial Report, 1862*). A search in 1936 yielded no records of the tax rates of 1861 and 1862 in either the archives division of the State library or the office of the auditor of public accounts (letter from Miss Margaret C. Norton, superintendent of archives, March 20, 1936). The *Blue-Book, 1931-32*,

p. 560, and earlier editions show the aggregate State rate as 45 cents in both 1861 and 1862 but give no details.

⁸ War fund interest tax (*Laws 1861, 2d sess.*, p. 22, sec. 9).

⁹ Canal redemption fund.

¹⁰ Originally extended at 36 cents, the State rate for 1873 was reduced to 29 cents by the decision in *Ramsay v. Hoeger*, 76 Ill. 432 (1874).

¹¹ Approximate. Rates by funds were not reported, but the aggregate levy comprised \$2,500,000 for general revenue and \$1,000,000 for the distributive school fund.

¹² Military fund (acts of May 17, 1877, and May 28, 1879).

¹³ Rates by funds were not reported and are not in the archives, but the aggregate amount of levy for each fund was the same as in 1907.

¹⁴ Approximate. Rates by funds were not reported and are not in the archives, but the aggregate levy for general revenue was \$5,100,000 and for the school fund, \$1,000,000.

¹⁵ Soldiers' compensation bond fund.

¹⁶ Blind relief fund, 1 cent; remainder for soldiers' compensation bond fund.

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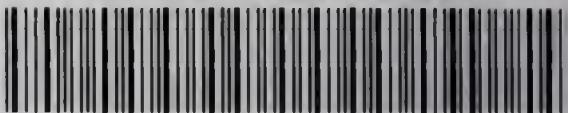
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